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Research Paper  
2010/07  
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# Human Development in Europe

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# Abstract

This paper examines levels and trends in human development in the 27 European Union Member States and four of the EU's nearest neighbours (Iceland, Switzerland, Norway and Turkey). Its starting point is the UNDP Human Development Index but the paper goes beyond the HDI in three main ways. First, drawing on the Human Poverty Index, it sets countries more exacting standards for the three core elements of human development – income, health and education – by looking at progress for the bottom as well as trends in average national achievement, and by defining that progress in relation to national rather than global standards. Second, the paper provides evidence about disparities in human development on these core measures by population sub-groups (gender, geography, social class, ethnic background and migrant status). Third, the paper brings in wider aspects of human development. The three core elements might be thought of as giving people capabilities, but their ability to convert these capabilities into functionings (to lead happy and fulfilling lives, to exercise autonomy, to be active in social and political affairs) will depend not just on their individual characteristics but on the shape of the societies in which they live. The paper therefore looks at overall income equality, agency and empowerment in politics and in employment, social trust and environmental sustainability.

Keywords: Human Development, Europe, inequality, agency, empowerment.

JEL classification: I00, I30, Y80

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## **1. Introduction**

This paper examines levels and trends in human development in the 27 European Union Member States and four of the EU's nearest neighbours (Iceland, Switzerland, Norway and Turkey). These are countries with among the highest living standards in the world. Of the 25 top spots on UNDP's Human Development Index (HDI) 2009, 15 were taken by countries covered in this paper, while all 31 countries were classified as having either high or very high levels of human development, among them Turkey and the new member states from Eastern Europe. All but three countries (Luxembourg, the UK and Turkey) ranked higher on the HDI than on GDP per capita.

In relative terms, this performance is very similar to that recorded in the first Human Development Report (HDR) in 1990. Not all countries can be easily compared over this period, both because of data availability and because a number of countries no longer exist within the same boundaries. But of the 20 European countries which were ranked in both 1990 and 2009, nine saw their HDI ranking improve between 1990 and 2009 while 11 slipped down the list. All of the 20 have recorded an increase in the HDI over this period, so slippage does not indicate absolute deterioration but that human development has been rising more quickly in some other high HDI countries.

Trends in the HDI and its component indicators are discussed in more detail in Section 2 below, but this paper seeks to go beyond the HDI in three main ways. First, it sets countries more exacting standards for the three core elements of human development – to lead a long and healthy life, to acquire knowledge and to have access to the resources required for a decent standard of living. The global standards set by the original HDI made it relatively easy for industrialised countries to shine. Average income was higher, average life expectancy longer and almost all the population passed the literacy test from the start. But if human development is defined as “a process of enlarging people's choices” (UNDP, 1995), what is relevant is not only how a country is doing as a whole, but also how individuals and sub-groups within a country are doing compared to the national average. This means looking at progress for the bottom as well as trends in a country's average achievement, and it also means defining that progress in relation to national rather than global standards. If the choices of the least advantaged in a society are to be enhanced their levels of human development need to grow not only in absolute terms but relative to this average.

This is well understood by the Human Development Report team, which in the late 1990s introduced not only the Human Poverty Index (HPI), designed to complement national average indicators with measures of the extent of deprivation within a country, but also the HPI-2, specifically aimed at industrialised countries. This paper examines progress in the HPI-2, and where possible in its component parts. On these indicators not all countries are doing as well as the HDI suggests, and progress has not always been so impressive.

Second, we provide evidence (where possible and given time and space constraints) about disparities in human development on these core measures by population sub-groups (gender, geography, social class, ethnic background and migrant status): horizontal inequalities, as opposed to the vertical inequalities captured by HPI-2.

Third, the paper brings in wider aspects of human development. While income, health and education have been denoted the “three essential” elements, it is also clear that “human development does not end there” (UNDP, 1995). In the language of Sen, the three core elements might be thought of as giving people capabilities, but we are also interested in the use they are able to make of their capabilities, and this depends not just on their individual characteristics but on the shape of the societies in which they live. This will determine how far they are able to convert their capabilities into functionings: to lead happy and fulfilling lives, to exercise autonomy, to be active in social and political affairs. In this paper we extend our measurement of progress in human development in Europe to take into account this wider standpoint. Specifically we examine overall income equality, agency and empowerment in politics and in employment, social trust and environmental sustainability.

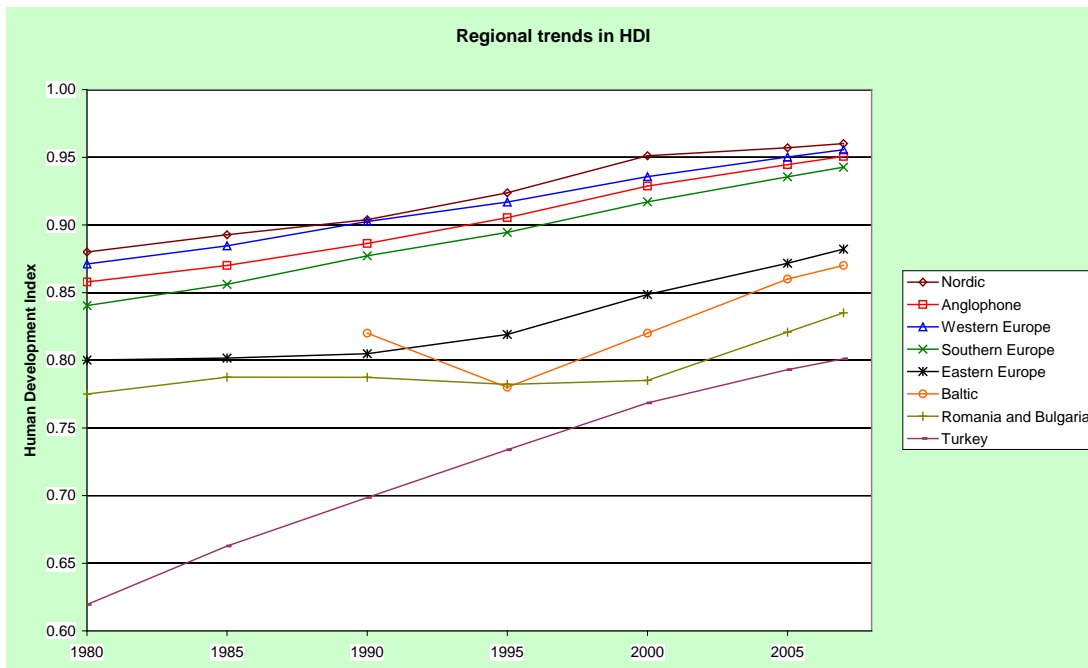
## **2. Core Human Development in Europe since 1990: evidence from the HDI**

The figures in this and the following section group the 31 countries into eight sub-regional groupings. Some grouping was necessary and the eight groups chosen represent broad geographical categories: Anglophone (UK, Ireland); Nordic (Norway, Iceland, Sweden, Finland, Denmark); Western European (Netherlands, Belgium, Luxembourg, France, Germany, Austria, Switzerland); Southern European (Spain, Portugal, Italy, Greece, Cyprus, Malta); Eastern European (Hungary, Poland, Czech Republic, Slovakia, Slovenia), Romania, Bulgaria (separated from other parts of Eastern Europe which have weathered the transition more quickly and easily); and the Baltics (Latvia, Lithuania, Estonia); with Turkey in a group on its own. The geographical groupings also roughly approximate welfare state regime types

(see Esping-Anderson, 1990): Anglophone countries are arguably liberal welfare states, Nordic countries social democratic and France, Germany, Austria, Luxembourg and Switzerland corporatist (with the Netherlands perhaps closer to being a social democratic regime). Southern Europe, and more recently Eastern Europe, have been cast as regime types of their own (see Leibfried, 1993; Arts and Gelissen, 2002; Cerami, 2006).

Figure 2.1 shows average trends in the HDI since 1980 for the seven groups (weighted by country population). All show a positive trend for the time period as a whole, although the impact of transition on Eastern Europe, in particular Romania, Bulgaria and the Baltic States is clearly visible, and the gap between these countries and the rest of Europe widened slightly overall as a result. It is surprising that the Eastern Europe group does not display a steeper impact of the transition, and this may be because Poland was less affected than other parts of the region, and as it is the largest country in the group its results are balancing out those for other countries. Turkey, in contrast, steadily narrowed the gap with the rest, although to some extent this may simply reflect faster progress in general among countries starting at lower levels of the HDI.

**Figure 2.1 Trends in the Human Development Index by European sub-region 1980-2009**



Source: Gray-Purser HDI Trends version 1.0.

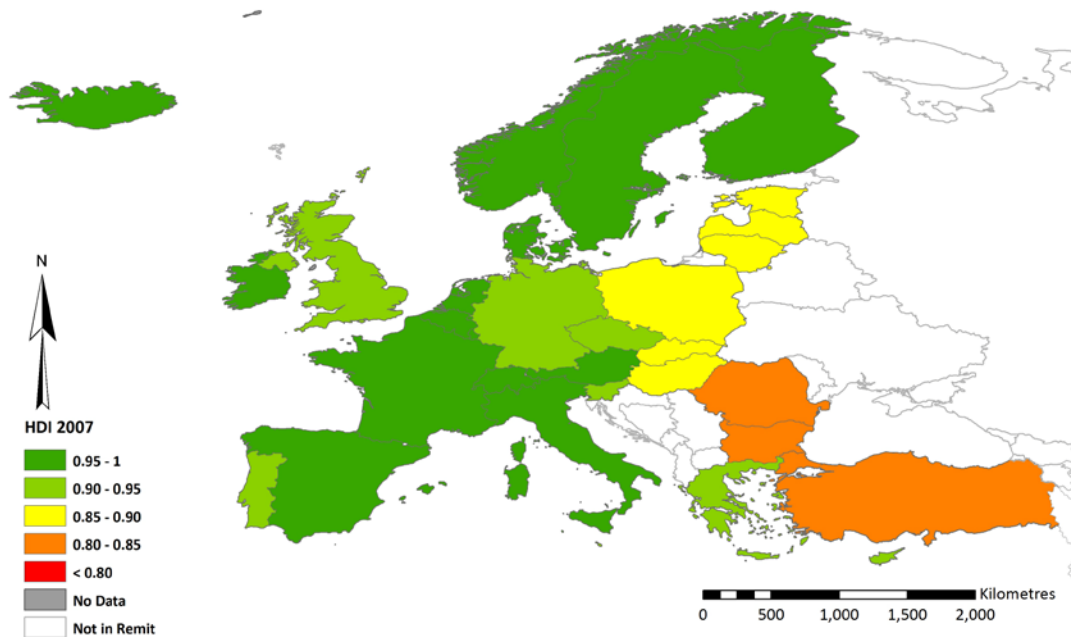
Notes: Country data are weighted by the national population in the year 2000.

No data for Germany, Czech Republic, Slovakia, Malta, Slovenia.

The HDI performance of individual countries in 2007 can be seen in Figure 2.2. This also gives us a clearer picture of the geographical pattern of human development, with the highest levels of the index in Western Europe, the Nordic States and Ireland, and the lowest levels in Bulgaria, Romania and Turkey.

**Figure 2.2 HDI 2007 mapped across Europe**

**European Human Development Index (HDI) 2007**



Source: Molina-Purser HDI Trends version 1.0.

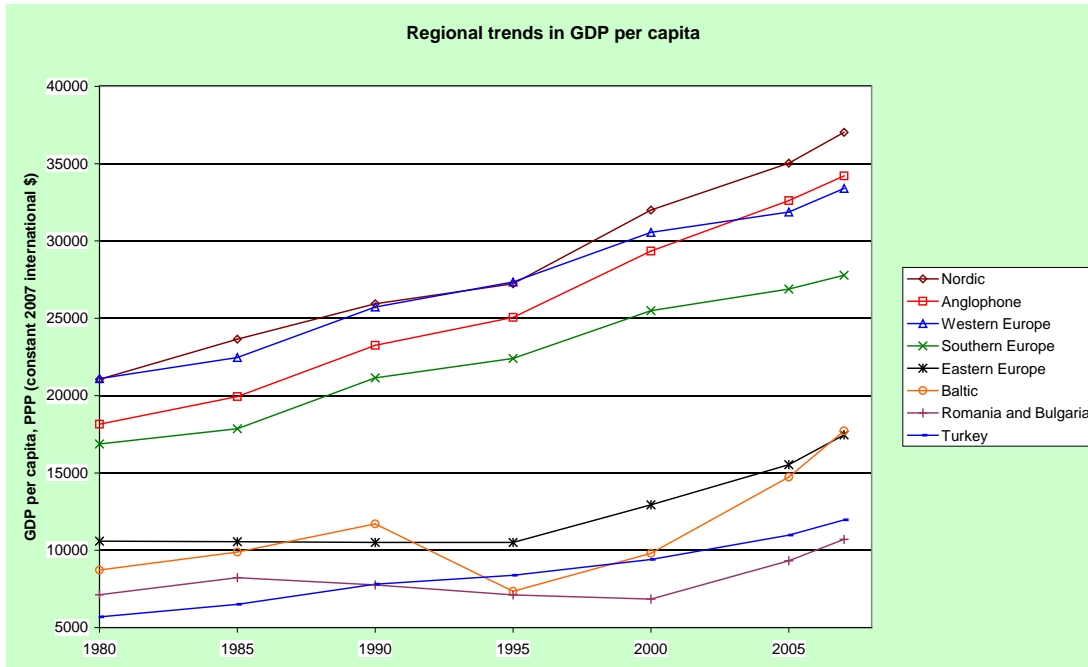
Figures 2.3 to 2.6 present sub-regional trends for the individual components of the HDI (for adult literacy only selected countries are presented – all those where literacy was less than 99% in 1990). A number of points stand out. First, it is clear – as expected – that average human development in Eastern European and Baltic states is higher than would be expected from an examination of GDP per capita: GDP for these sub-regions is very similar to that for Turkey, while enrolment rates and literacy ratios are similar to those for western Europe. Life expectancy falls somewhere in between. Second, transition affected all core components of human development, although in all cases this shows up more clearly for the Baltics and in Romania and Bulgaria than in other parts of Eastern Europe.

Elsewhere in Europe, it is GDP per capita and the gross enrolment rate which drive most disparity in the HDI, with very little difference by sub-region on life expectancy or on adult



literacy, with the exception of the Southern European countries which have made rapid progress since the 1980s.

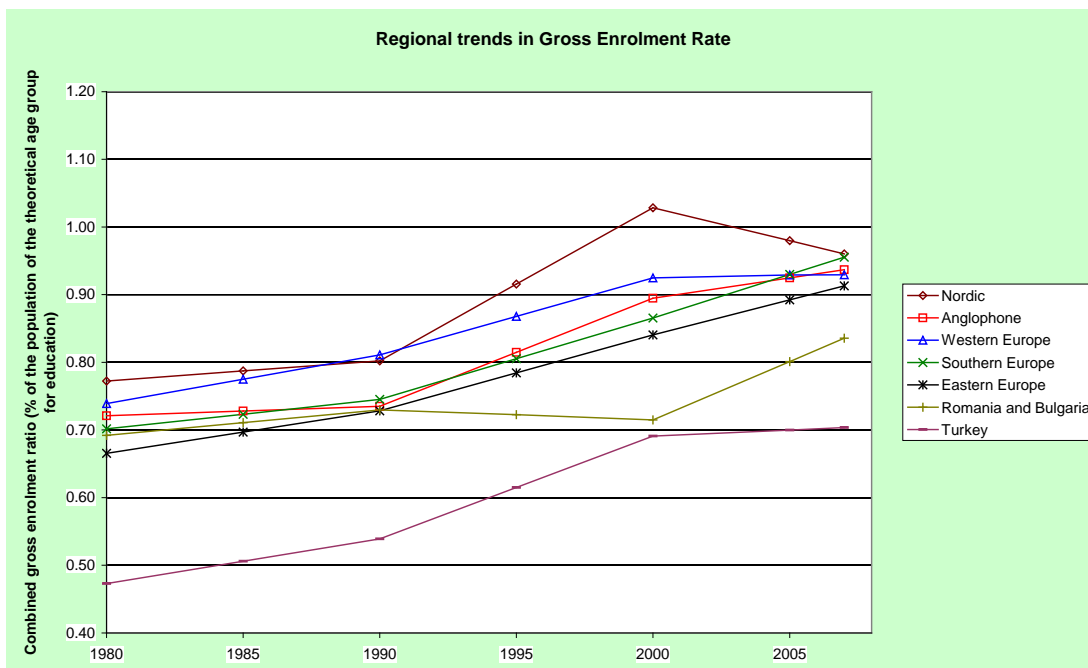
**Figure 2.3 Trends in GDP per capita by sub-region 1980-2005**



Source: Molina-Purser HDI Trends version 1.0.

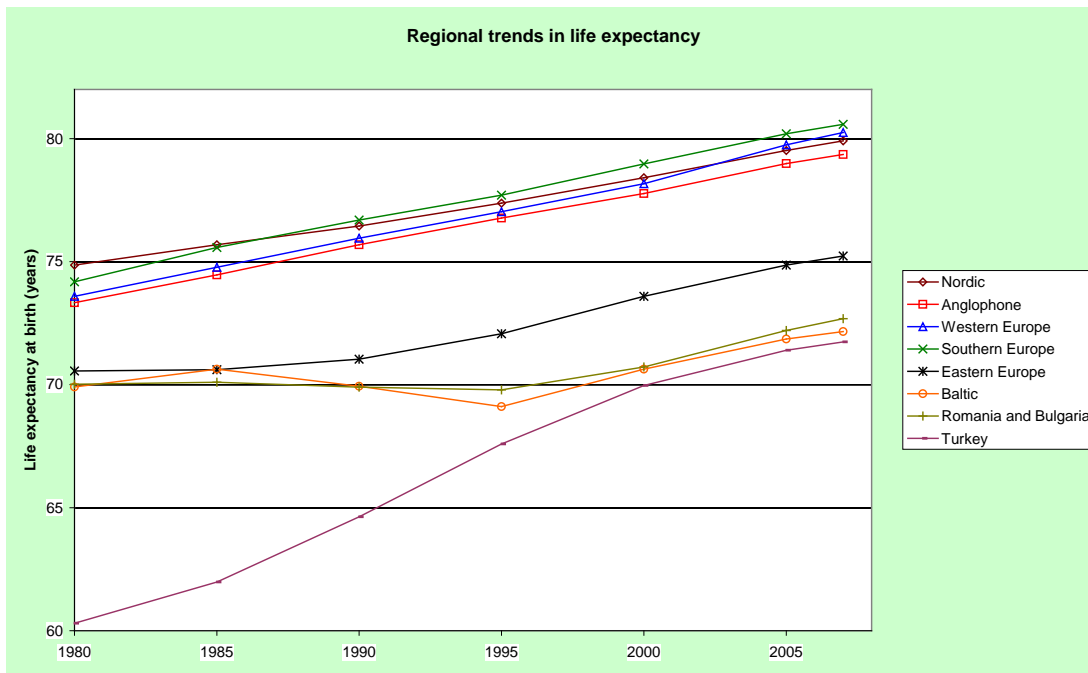
Notes: Country data are weighted by the national population in the year 2000.

**Figure 2.4 Trends in Gross Enrolment Rate by European sub-region 1980-2005**



Source: Gray-Purser HDI Trends version 1.0.

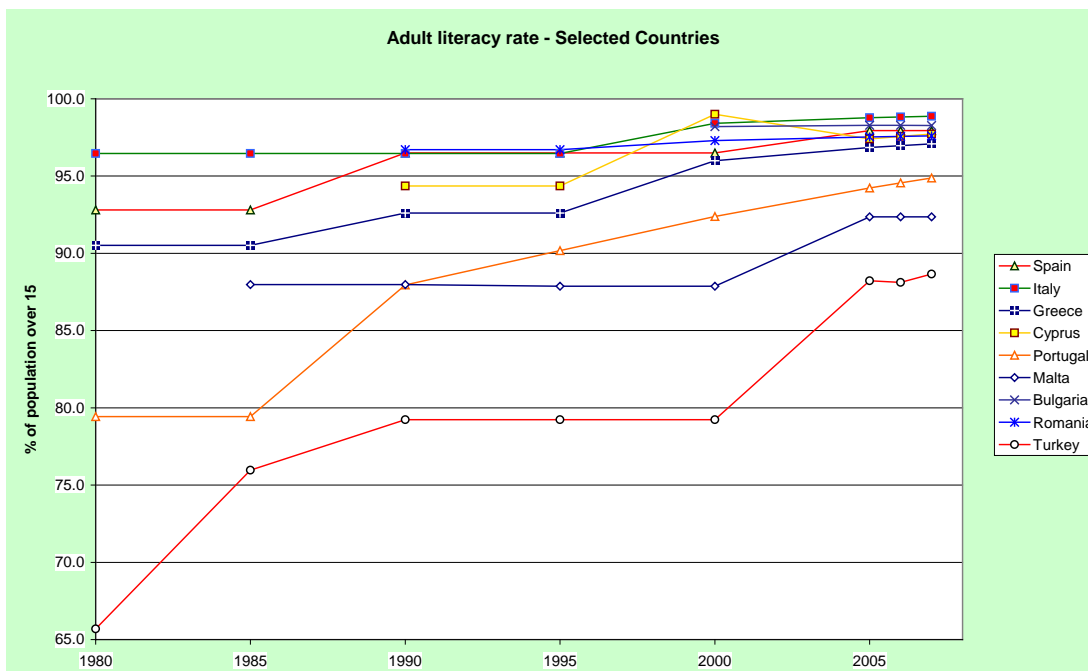
**Figure 2.5 Trends in life expectancy by European sub-region 1980-2005**



Source: Molina-Purser HDI Trends version 1.0.

Note: Country data are weighted by the national population in the year 2000.

**Figure 2.6 Trends in adult literacy – selected European countries 1980-2005**



Source: Molina-Purser HDI Trends version 1.0.

Note: All countries included where literacy was below 99% in 1990.

### 3. Capturing relative deprivation: the Human Poverty Index 2 and its components

The idea behind the Human Poverty Index (HPI) was to capture the extent of deprivation within a country, as the HDI is largely driven by measures of average progress (GDP per capita and average life expectancy). The version of the HPI designed for industrialised countries (HPI-2) set higher standards for each of the core components: poverty measured against a relative poverty rate of 50% of the equivalised median; the probability at birth of not surviving to age 60; and a measure of functional literacy – the ability not just to read words but to read and understand every day items such as railway timetables and medicine bottle instructions. The HPI-2 also introduced a fourth component, social exclusion, measured by the rate of long-term unemployment.

The idea of poverty as a relative concept is widely accepted in Europe: the official EU definition of those living in poverty is “persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State to which they belong”.<sup>1</sup> The same principle can be equally applied to literacy: basic literacy is not a good indicator of the knowledge and skills needed to manage in industrialised countries where the majority receive upwards of twelve years of full-time education. Similarly, it makes little sense to define “a long and healthy life” except in relation to national contemporary standards (although health perhaps raises the most difficult questions about whether and how far inequality is a problem in a situation where absolute standards are improving for all, and we return to this in Section 4 below).

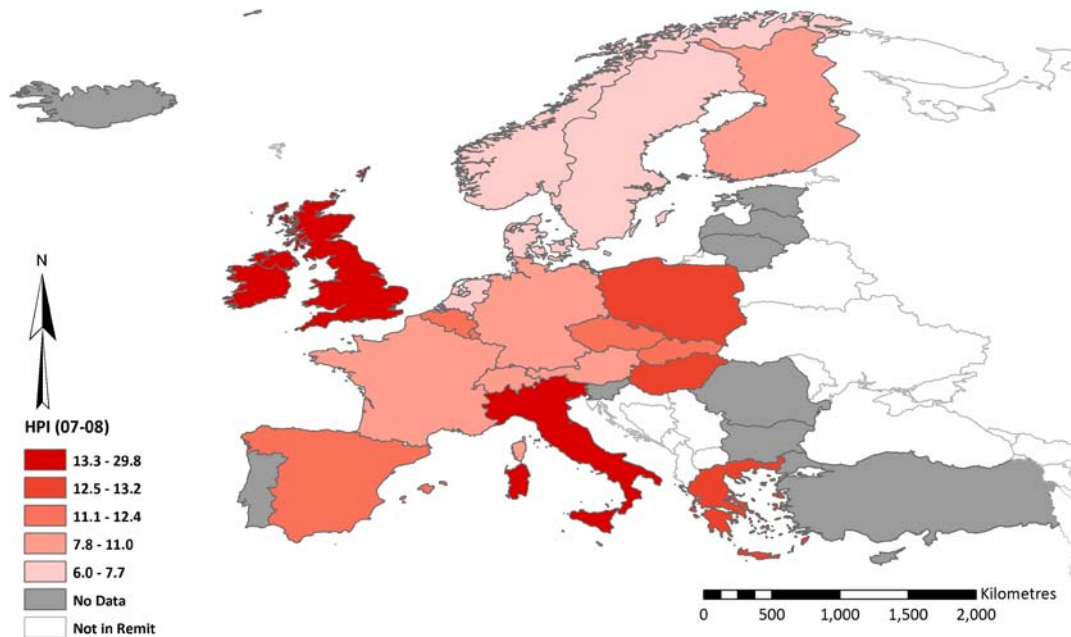
Figure 3.1 maps the most recent data for the HPI-2 across Europe. The lowest levels of human poverty (shown in the palest colour) are found in the Nordic countries and the Netherlands, followed by other parts of Western continental Europe – France, Germany, Austria and Switzerland. Of countries which have available data, the highest levels are found in the UK, Ireland and Italy.

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<sup>1</sup> This echoes Peter Townsend’s definition of poverty in the UK context: “Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary... in the societies to which they belong” (Townsend, 1979). But it is worth noting that the idea that what is needed for a reasonable standard of living depends on social standards is much older than is often realised. Adam Smith noted that “by necessities, I understand not only the commodities which are indispensably necessary for the support of life but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is strictly speaking not a necessity of life... But in the present time... a creditable day labourer would be ashamed to appear in public without a linen shirt” Smith (1776).

**Figure 3.1 Map of the Human Poverty Index 2**

**European Human Poverty Index (HPI) 2007-2008**



Source: Human Development Report online database.

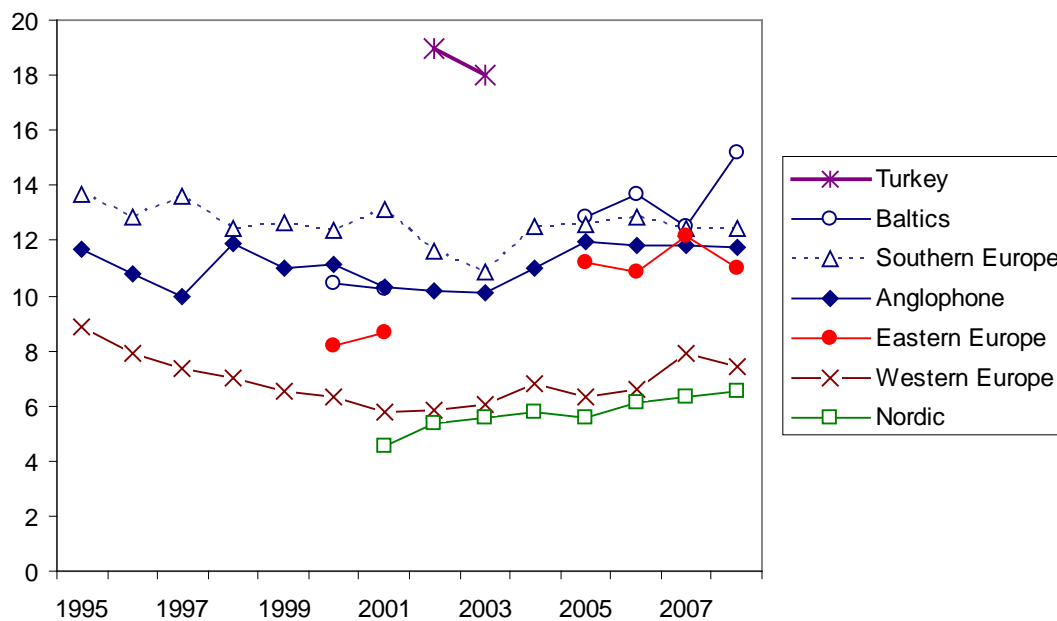
Since the first published datapoint in 1994, the HPI has been fairly steady for most countries, but behind the index we can point to change in some of the components. Broadly, relative poverty rates have been rising across much of the region, especially since the early 2000s. The share of people not living to be 60 has fallen in all countries, while trends in long-term unemployment are mixed but largely positive, with unemployment in decline to 2007 across much of the region. For most countries, the literacy data behind the HPI-2 has not changed, as the survey used as the source has only been carried out once for each country (this is the International Adult Literacy Survey, or IALS). The most recent HPI-2 uses new data from different sources for Norway, Switzerland and Italy, but it is unlikely that these are strictly comparable with the initial survey. Indeed, the percentage classified as functionally illiterate in Italy has leapt from 17% in the IALS to 47% in the new source, driving a large and almost certainly misleading rise in Italy's score on the overall HPI-2.

Because of the lack of available data, in this paper we do not examine functional literacy further, but focus on the three other variables.

*Relative poverty*

Figure 3.2 shows trends in the rate of relative poverty since 1995, by sub-region. We use the same definition as the HPI-2 (the share of the population living in households with less than 50% of the equivalised household median) but present data from Eurostat rather than the HDRs to ensure greater consistency over time. The broad overall pattern is of declining poverty in the 1990s (especially in Southern Europe and Western Europe) and rising poverty in the 2000s (across the board, although perhaps less so in Southern Europe). Data for Turkey is limited, and shows a high but falling rate of relative poverty in the early 2000s.

**Figure 3.2 Percentage of the population living in households with less than 50% of the equivalised median income, 1995-1998**



Source: Eurostat, from ECHP, EU-SILC and national household surveys.

Note: Sub-regional figures calculated as weighted average of national poverty rates. No data included for Cyprus, Switzerland or Slovakia, and imputations as follows were made to keep all countries represented in each year shown:

Anglophone: Ireland 2002 and UK 2004 imputed from surrounding years.

Eastern Europe: Czech Republic 2000 data copied in from 1999

Baltic: Latvia data copied in for 2001.

Nordic: Iceland 2001-2003 copied in from 2004; Norway 2001-2002 copied in from 2002.

Western Europe: Austria, Belgium and Luxembourg 2002 and Germany 2002-2004 imputed from surrounding years.

Not all countries are well represented by these regional averages, however; trends in smaller countries are particularly hidden as the averages are weighted by population. Relative poverty in Ireland followed a very different pathway to that in the UK, nearly doubling from 7% to 15% between 1994 and 2001, and then falling back to 8% by 2008. The sharp rise in relative poverty in Ireland in the 1990s is sometimes known as the 'Irish paradox' as this was a time of strong economic growth in Ireland: relative poverty increased because median incomes were growing rapidly, and with them the poverty line. Those on fixed incomes (pensioners and the unemployed) became much more likely to fall below the line, even though their real incomes were not falling. The 'Irish paradox' has been taken as an example of how a relative poverty line can give counter-intuitive results in times of rapid growth (or indeed in recession). While we may be committed to a concept of poverty which has a base in contemporary living standards, it seems unlikely that the requirements for participating in society would change year on year, fully keeping up with income; more plausibly this adjustment would take place over a longer time-frame. However, the relative income line remains the most transparent and consistent measure available.

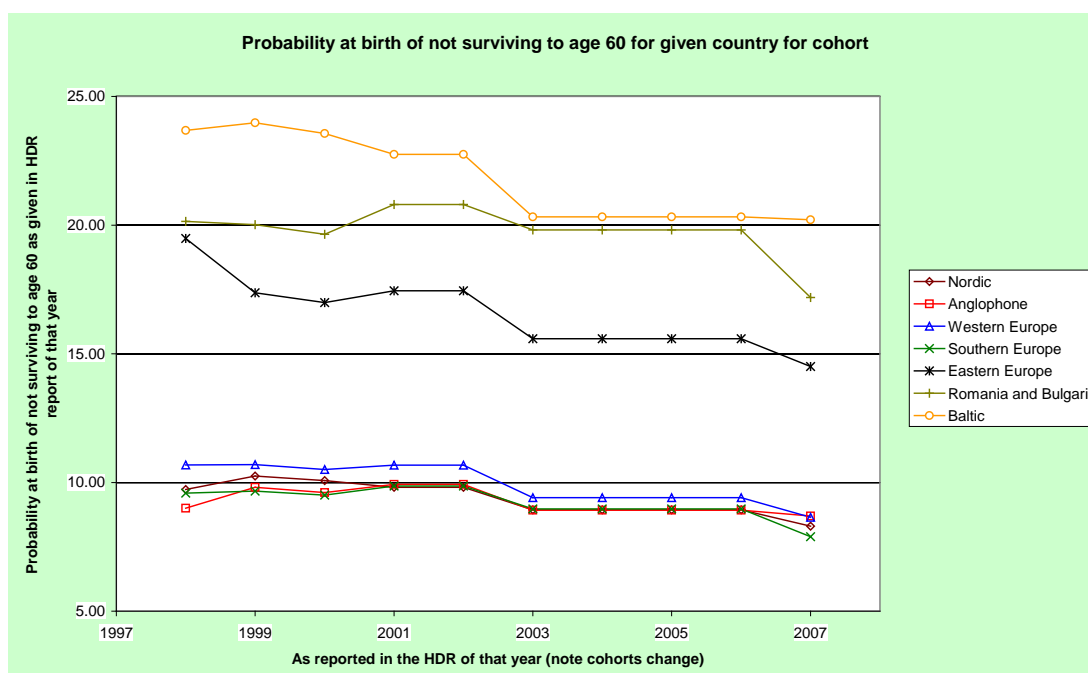
The trend in Greece and Portugal also differed somewhat from that of the larger countries in Southern Europe, with poverty falling fairly steadily through the period in both, from 16% to 12-13%. Within Eastern Europe, three distinct trends can be identified. In Bulgaria and Romania poverty grew rapidly during the 2000s; in Hungary and Poland it grew; but started to fall from 2005 or 2006; while in Slovenia and the Czech Republic it grew slowly at low levels.

Finally, it is worth noting that all but one of the Nordic countries recorded rising poverty during the 2000s, although the increase was more rapid in Sweden and Finland than in Denmark and Norway. The exception is Iceland where poverty remained low and steady throughout the period, and at 4% in 2008 was the lowest of anywhere in Europe. Data for 2009 is likely of course to show something very different, given the scale of the economic disaster that engulfed Iceland from late 2008.

*Survival to age 60*

Figure 3.3 shows trends in the share of the population living to be age 60, with data taken from successive Human Development Reports. From 2000, these data were published for five year cohorts, but are presented here according to the year of publication so as to allow us also to use data for the earliest years. This is an unorthodox strategy not endorsed by the HDR team, and the data are only presented to give a rough idea of the overall trend, and should not be cited in detail. The trend however is clear: in all sub-regions (and indeed in all countries) the share of the population not reaching 60 is declining steadily over time (with just a small upward blip in Eastern Europe in the late 1990s).

**Figure 3.3 Trends in the probability at birth of not surviving to age 60 by sub-region**



Source: Trends put together from annual Human Development Reports.

Notes: Missing data for the entire period Cyprus and Turkey.

1998-2000 reports present data for previous year; 2001-2002 reports present data for 1995-2000 cohort; 2003-2008 reports present data for 2000-2005 cohort; 2009 report presents data for 2005-2010 cohort.

**IMPORTANT NOTE:** Putting a trend together in this way from different reports is far from ideal and not recommended by the HDR team. It is done because of the absence of a more consistent trend for this indicator, and should be interpreted with caution. The intention is just to get a sense of the broad trend in the data.

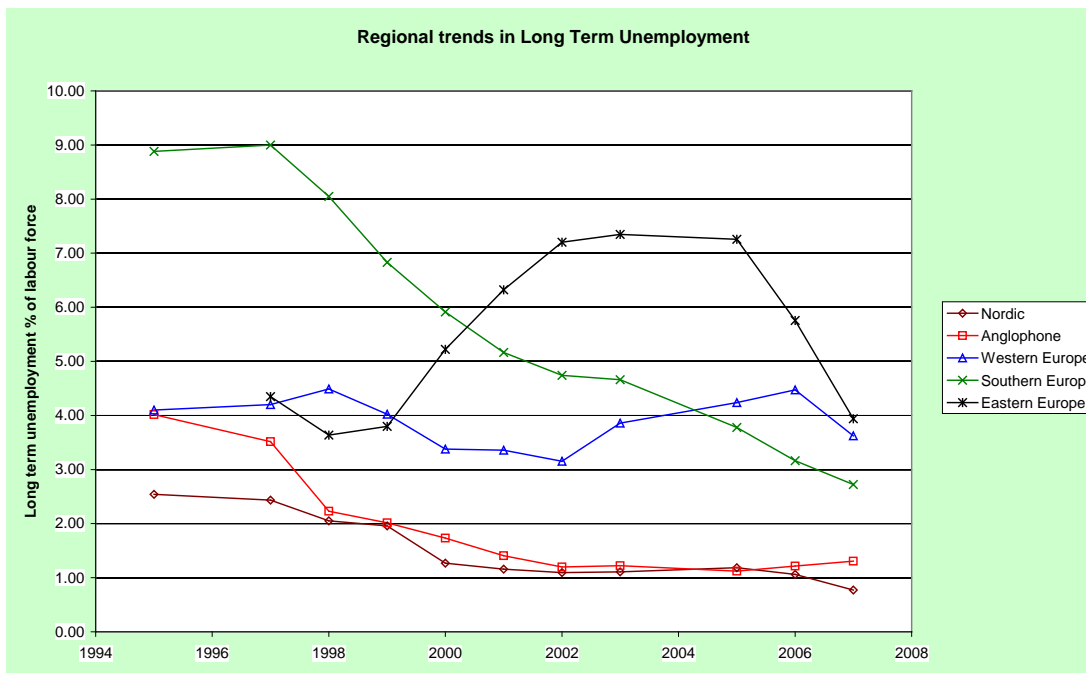
### *Long Term Unemployment*

Lastly, Figure 3.4 shows trends in the rate of long term unemployment (the share of the labour force unemployed for at least 12 months). We see very large declines in LTU in Southern Europe, and more modest declines (from lower starting points) in the Nordic and Anglophone countries. In Eastern Europe LTU grew until about 2002 and started to fall from 2005, and we also see growth in Western Europe. For the most part, these averages do give a good indication of trends in individual countries, although there are exceptions. Within Western Europe, several countries saw LTU fall, and it is Germany that weights the data the other way. Ireland saw particularly rapid falls in LTU over the period, and Hungary performs considerably better than the Eastern European average, not experiencing the upward movement in the 2000s. Lastly, Portugal shared the initial downward Southern European trend up to 2001 but LTU has been rising since then.

Overall, then, the LTU story is one of considerable improvement between 1994 and 2007. However, all indications point to a sharp up-turn in unemployment since the start of the current economic crisis in 2008, and it is likely that the 2007 rates are the lowest we will see for some time to come. OECD (2009) points to the increase in unemployment between 2008 and 2009 as the steepest in the post-war period. The shape this will take in particular countries and what it will mean for specific groups is not yet clear, but early evidence from the UK suggests that young people aged 18-24 have been worst hit (Hills et al, 2010). This is particularly worrying in the light of recent research on the impact of the early 1980s recession in the UK, which pointed to long-term “scarring” effects, particularly for the employment prospects of low-skilled young people, but also for the young more generally. Young men from advantaged backgrounds, who had done well at school but were unemployed for a year or more in the 1980s recession, were much less likely to be high earners, in a professional job or to own their own homes in 1991 (Vaitilingam, 2009). The concern is that the current recession will have similarly permanent damaging effects on the life chances of a cohort of young people with otherwise bright prospects ahead of them, but who happen to have the misfortune to be coming out of full-time education at just the wrong time.

**Figure 3.4 Trends in Long Term Unemployment by sub-region**





Source: Annual Human Development Reports 1998-2009, which allow the construction of an annual time series with the exception of 1996 and 2004.

Notes: Missing data for the entire period Slovenia, Cyprus, Malta, Estonia, Poland, Slovakia, Lithuania, Latvia, Bulgaria, Romania and Turkey. So the Eastern Europe cluster consists of Poland, Hungary and the Czech Republic and these countries are missing data for the first year of the series. Greece figure for 1995 imputed from 1997 figure. Iceland data 1995 and 1997 held at 1998 level. 1999 figure as mid-point between 1998 and 2000.

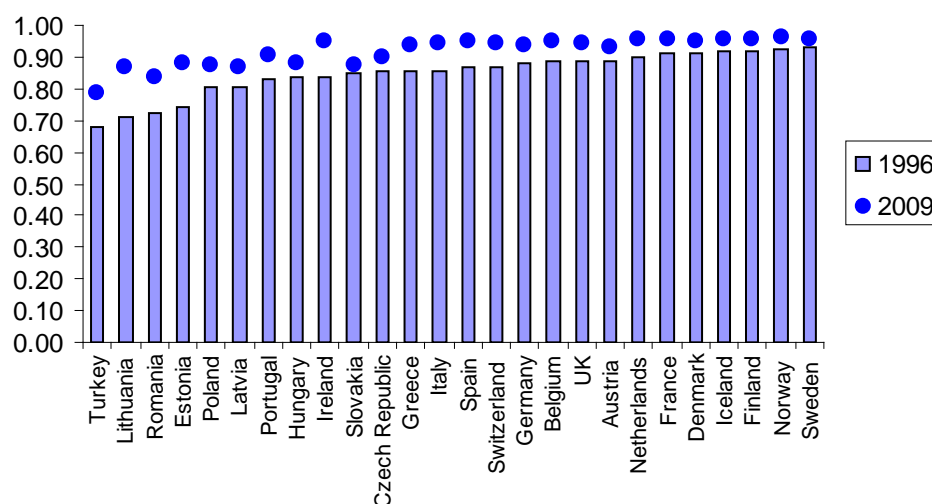
#### 4. Horizontal inequalities in Core Human Development

This section asks how far the benefits of human development are being shared equally across horizontal population sub-groups. We look at disparities in indicators of human development across five dimensions: geography, gender, social class, migrant status and ethnic background. Time and space constraints rule out a comprehensive examination of horizontal inequalities in each dimension of development, and what follows is inevitably selective. We look at gender inequalities as represented by the Gender Development Index and the Gender Empowerment Measure, as well as additional data on earnings ratios and poverty rates at a single point in time from the Luxembourg Income Study and Eurostat. We then look at disparities in health by socioeconomic class, and at geographical disparities in poverty. We present evidence on the relative employment and income status of migrants (people living in a country other than the country of their birth). Finally, as data constraints make it difficult to examine disparities by ethnic background across the region, we focus on two cases: the UK (where detailed data by ethnic background are available), and the Roma, Gypsy and traveller communities, who face widespread discrimination across the region.

## Gender Inequalities

Figures 4.1 and 4.2 present data for Europe from the two indices of gender equality used in the Human Development Report, the Gender Development Index (GDI) and the Gender Empowerment Measure (GEM). Data are taken from two different Human Development Reports, and as there may have been methodological corrections in the period between, the figures should be interpreted with caution; comparing data across reports is not recommended by the HDR team. Keeping this caveat in mind, both figures appear to suggest growing equality between the sexes across the region. The GDI, which includes differences in life expectancy, education and estimated earned income, seems to have risen in all countries, with those furthest behind showing the greatest improvement. The GEM includes disparities in estimated earned income as well as the share of seats women hold in parliament and the share of women holding top jobs. This measure too appears to have improved in all countries, although not always evenly: the Southern European countries, France and Ireland show the greatest improvement, with Hungary and Bulgaria doing less well.

**Figure 4.1 The Gender Development Index 1996 and 2009**

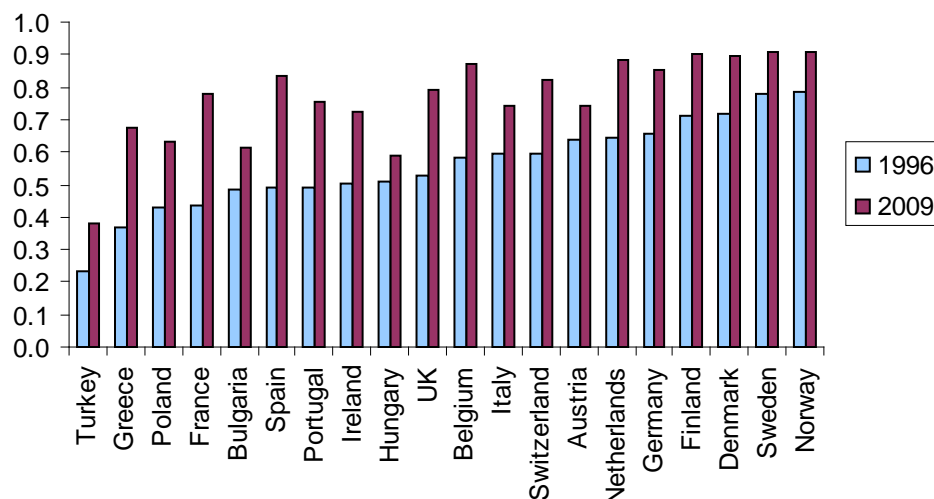


Source: Human Development Report 1996 and online data for 2009

Notes: The GDI includes differences in life expectancy, education (the adult literacy rate and the combined primary to tertiary gross enrollment ratio), and estimated earned income.

**IMPORTANT NOTE:** Comparing data from different HDRs is not recommended by the HDR team as there may have been methodological changes in the intervening period. The figure should be interpreted with caution and is intended just to give a broad sense of change over time.

**Figure 4.2 The Gender Empowerment Index 1996 and 2009**



Source: Source: Human Development Report 1996 and online data for 2009

Notes: The GEM includes the share of seats in parliament held by women; the share of female legislators, senior officials and managers; the share of female professional and technical workers; and the ratio of estimated female to male earned income.

IMPORTANT NOTE: Comparing data from different HDRs is not recommended by the HDR team as there may have been methodological changes in the intervening period. The figure should be interpreted with caution and is intended just to give a broad sense of change over time.

While things look to be moving in the right direction, equality between the genders is still far from achieved. Table 4.1 shows male-female earnings ratios in the year 2000, and we see that in many cases women’s earnings were less than two-thirds of those of men of a similar age or education level. The data in the table are not entirely straightforward to interpret, as the figures are for annual earnings and include everyone who recorded positive earnings in the previous year. Thus the disparity reflects three separate factors: higher rates of part-time work among women than men, the concentration of women in lower paid professions (largely reflecting the ways in which different types of work are rewarded in the market economy), and lower rates of pay for the same work (reflecting straightforward discrimination).

**Table 4.1 Female to male earnings ratios, LIS Wave V (around 2000)**

	ALL	Age			Education		
		20-24	25-49	50-54	low	med	high
<b>Austria</b>	0.63	0.64	0.62	0.66	0.58	0.63	0.65

<b>Belgium</b>	0.67	SS	0.68	0.59	0.56	0.64	0.67
<b>Denmark</b>	0.75	0.73	0.76	0.75	0.78	0.73	0.70
<b>Finland</b>	0.77	0.79	0.77	0.77	0.84	0.74	0.68
<b>France</b>	0.74	0.84	0.74	0.75	0.67	0.76	0.71
<b>Germany</b>	0.61	0.96	0.60	0.61	0.58	0.64	0.63
<b>Greece</b>	0.78	0.72	0.83	0.63	0.60	0.74	0.85
<b>Hungary</b>	0.76	SS	0.74	0.79	0.82	0.71	0.71
<b>Ireland</b>	0.77	0.82	0.78	0.69	0.60	0.74	0.77
<b>Italy</b>	0.86	0.90	0.88	0.71	0.74	0.88	0.83
<b>Luxembourg</b>	0.60	0.90	0.62	SS	0.60	0.57	0.64
<b>Netherlands</b>	0.57	0.96	0.59	0.44	0.46	0.59	0.60
<b>Norway</b>	0.73	0.82	0.72	0.72	0.77	0.73	0.67
<b>Slovenia</b>	0.95	0.92	0.95	0.94	0.83	0.99	0.82
<b>Spain</b>	0.74	0.64	0.77	0.63	0.58	0.70	0.69
<b>Sweden</b>	0.66	0.76	0.64	0.69	0.72	0.65	0.58
<b>UK</b>	0.65	0.87	0.65	0.57	0.59	0.65	0.71

Source: Luxembourg Income Study Gender Key Figures.

Notes: SS = fewer than 100 observations in the cell

Education levels: low = ISCED levels 1 and 2; medium= levels 3 and 4; high = levels 5 and 6.

All individuals aged 20-54 with positive earnings last year are included.

The incidence of part-time work is clearly an important part of the explanation: the countries with the highest shares of women working part-time in 2005 were the Netherlands, Germany, the UK and Austria, and these are also the four with the lowest earnings ratios (Lewis et al, 2008 using the European Social Survey; no data on part-time work in Luxembourg, which also has a relatively low earnings ratio). Using OECD data, Pettit and Hook (2009) also point to widespread variation across the region, from fewer than 10% of employed women working part-time in the Czech Republic in 2001 to nearly 60% in the Netherlands. They note that this represents a trend increase over time in the Netherlands from 45% in 1983, and that indeed all the corporate-conservative countries in Western Europe also experienced an increase over this period, while the Nordic and Eastern European countries experienced slow decline (the Nordics averaging just below 25% in 2001 and Eastern Europe around 5%). The share in the UK has held steady at around 40% of working women over these two decades (see Pettit and Hook, 2009, Figure 4.1 and discussion).

To the extent that women in these countries are choosing to work fewer hours, it may be a mistake to interpret a low earnings ratio as necessarily problematic. Using data from the European Social Survey, Lewis et al (2008) point to considerable variation across EU member states in mothers' working-time preferences. Their results also show that in all countries with statistically robust results full-time workers were much more likely to express

a preference to cut their hours than part-time workers were to want to increase them. Overall, two-thirds of mothers of children under 15 working full-time said they would prefer shorter hours, and only in Portugal was the share lower than 50%. In contrast, just a third of mothers working part-time said they would prefer to work more, with the highest ratio 44%, in France (see Lewis et al, 2008, Table 6). The idea that women may vary in the extent of their commitment to paid employment has been developed by the sociologist Catherine Hakim (2000) into “preference theory”, which proposes that women can be divided into home-centred, work-oriented and adaptive (those who hope to combine work and family, and do so in ways which reflect financial incentives, family policy and so on). Hakim argues that preference theory helps explain cross-national differences in patterns of women’s employment, which are driven in part by differences in the relative importance of the three groups of women, and in part by the middle, adaptive, group responding to differences in public policy.

Differences in the level of part-time employment do not, however, explain all of the gender earnings gap, and there is also clear evidence of lower *hourly* pay for women than men, although much of the analysis here is older (using data from the early to mid 1990s). Looking at LIS data for Sweden and Finland (1991), Germany (1994) and the UK (1995), Harkness and Waldfogel found mean hourly wages for women in full-time work lay between 79% (Finland) and 84% (Germany) of those for full-time men (Harkness and Waldfogel, 1999). For women in the UK, the ratio was lower if all workers (not just full-timers) were included (75% as opposed to 81%), and lower still (70%) if all working women with children were compared to all working men. For Germany and the Nordic countries there was very little or no difference between women with and without children. The authors argue that this reflects a much greater tendency for women in the UK to move into low paid part-time work after having children.

This in turn sheds additional light on the idea of part-time work as preference: plausibly, UK mothers value the ability to opt for short hours, but not the fact that this is likely to require a shift to a job that is less valued and less interesting. Further, given the greater wage sacrifice embodied in the decision to work part-time in the UK than in Sweden or Finland, it seems likely that the choices UK women make are partly a reflection of the constraints of childcare cost and availability, and also of the nature of many full-time jobs. It is interesting, for example, that of working fathers, 44% in the UK regularly work more than 46 hours a week,

compared to 24% in Sweden and 30% in Finland, suggesting that a standard full-time job has different meaning in these countries (Lewis et al, 2008, Table 3). In addition, Pettit and Hook (2009, p.175) point out that Sweden, Denmark and Finland, with high rates of female full-time employment, still have relatively high rates of occupational sex segregation. Even in these countries women appear to be choosing jobs that are most consistent with caring responsibilities, but the context makes (some) full-time jobs a realistic option.

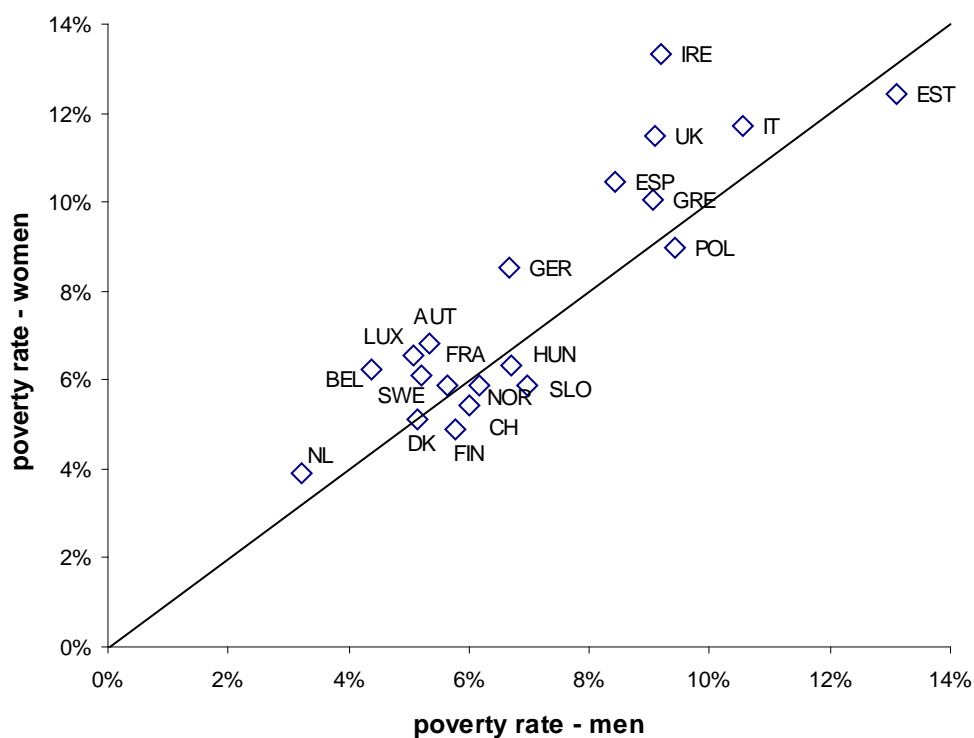
Thus preferences are likely to vary across countries in part because of the very different structures and circumstances within which they are expressed. This is a point which has been made by Susan McRae (2003, p.317), who argues that her own analysis of longitudinal data “fails to support the central argument of Preference Theory that women in Britain and North America... have genuine, unconstrained choices about how they wish to live their lives.” In fact, Hakim herself has never denied that across countries “preferences are constrained by social structures and social policy to varying degrees” (Hakim, 1998, p.140); the crux of the debate about the value of preference theory appears to centre on the relative importance of preferences versus structure in contemporary industrialised societies. Allowing for the possibility that some differences may genuinely reflect women’s choices certainly appears to allow a more nuanced view than analyses such as that of Pettit and Hook (2009), which focuses entirely on the structural, with a clear underlying assumption that policies that foster full-time work are preferable (because better for gender equality) than those that encourage and facilitate part-time employment. In reality, without taking our eyes off the goal of gender equality, heterogeneity in the pathways women follow in the labour market can itself be seen as a hallmark of a developed society, allowing individuals to combine work and caring for a family in the way that suits them best. Ensuring flexibility in higher skilled jobs and protection for part-time workers should be considered as important in moving forward as policies which allow mothers to be incorporated full-time into the labour market.

Whatever the determinants of the low earnings ratio, it remains true that a low ratio specifically among those with lower qualifications is a pretty good predictor of a gender differential in poverty rates. Figure 4.3 plots the male poverty rate against the female rate for this same age group (20-54), again using LIS data. The countries above the 45 degree line are those where women are more likely than men to live in households below the poverty line, with a greater distance from the line indicating a bigger differential. The Netherlands, Belgium, Germany, Spain, Austria, the UK, Luxembourg, Greece and Ireland all have an

earnings ratio for the low skilled of 0.60 or less, and all these countries fall on the upper side of the line in Figure 4.3. However, it is interesting that the differential for the Netherlands is much smaller than might be expected from looking at the earnings ratio (which is just 0.46 for this educational group), as this suggests that protective policy measures are possible: part-time hours in even a low-skilled job need not always mean poverty. In contrast, the disparities between the two poverty rates in Ireland (a 4 percentage point gap) and (to a lesser extent) the UK (a 2.4 percentage point gap) are much greater than would be expected from the earnings ratio alone.

One other obvious key factor contributing to poverty is the extent of unemployment or inactivity (as Table 4.1 only includes those who had some positive earnings, however low). Both Ireland and the UK have a high incidence of lone parenthood (around 22%) combined with a low employment rate among lone parents: in 2005 Ireland's rate was the lowest in the then EU15 at 45% and the UK's the second lowest at 56% (itself representing a big improvement on earlier years due to considerable government focus and financial incentives through the tax credit system).

**Figure 4.3 Poverty rates among men and women of working age (poverty defined as living in a household with less than 50% of the equivalised median): LIS Wave 5 (around 2000)**



Source: Luxembourg Income Study, Gender Key Figures.  
All individuals aged 20-54 are included.

Figure 4.3 only includes adults of working-age, but as Sigle-Rushton and Waldfogel (2007) point out, differences in labour market participation and earnings have long-term impacts for economic vulnerability, as pensions are often participation- and earnings-linked. Table 4.2 shows relative poverty rates in 2008 for men and women aged 65 and over. Only Belgium, Malta, Spain and Ireland have poverty rates for women in this age-group which are as low or lower than those for men. The gap is particularly disturbing in the Baltics and in parts of Eastern Europe. Once again, however, it is worth pointing out the Netherlands as an exception to the rule that low earnings ratios are likely to mean higher rates of female poverty, both in working age and beyond: while the poverty rate for older women in the Netherlands is a little higher than that for older men, at 5% it is one of the lower rates in the EU. Full-time female employment is clearly not the only way to protect women against poverty.

**Table 4.2: Relative poverty rates for men and women aged 65 plus in the European Union 27, Iceland and Norway, 2008 (share in the age group living in households with less than 50% equivalised median income)**

	Men	Women
European Union (27 countries)	8	11
Belgium	9	8
Bulgaria	12	23
Czech Republic	1	2
Denmark	2	4
Germany	6	9
Estonia	9	21
Ireland	8	6
Greece	11	13
Spain	15	15
France	3	5
Italy	8	14
Cyprus	24	32
Latvia	29	42
Lithuania	7	20
Luxembourg	2	3
Hungary	1	2
Malta	13	11
Netherlands	4	5
Austria	3	6
Poland	4	6
Portugal	10	13
Romania	12	18



Slovenia	6	17
Slovakia	1	4
Finland	4	9
Sweden	4	7
United Kingdom	15	20
Iceland	4	5
Norway	2	8

Source: Eurostat statistics.

### *Health and social class*

Sections 2 and 3 above tracked the impressive progress on health indicators made by all the countries covered in this paper. Average life expectancy has been increasing right across the region, while the share of the population not reaching the age of sixty has been steadily falling.

However, these aggregate figures disguise substantial inequalities in both mortality and morbidity within every European country for which there are data. Across Europe, almost all the most important health problems are more common among people with lower income, education and occupational status. Mackenbach (2006) and Mackenbach et al (2008) review evidence on socio-economic differences in mortality and morbidity for 22 of the countries covered in this paper, and find consistent and significant differences, often of considerable magnitude: a member of a lower socio-economic group is generally between 25% and 50% more likely to die in a given year than a member of a higher group, but this rises to over 100% in a few cases (Estonia, Hungary and Lithuania; Mackenbach, 2006, Table 1). In general, inequalities exist among women as well as men, but tend to be smaller. Mackenbach (2006) found the gap in life expectancy between the lowest and highest socioeconomic groups to be typically between four and six years for men and between two and four years for women.

Interestingly, these differences exist even in the more egalitarian countries such as the Scandinavian countries and the Netherlands (which are also the countries with the highest HDI scores), although the magnitude of inequality appears to be smaller in these countries. For instance, Mackenbach et al (2008) find that by level of education the relative index of inequality in Sweden is less than 2 (mortality among those with least education is less than twice that among those with most education), while in Hungary, the Czech Republic and

Poland it is 4 or higher (mortality differs by a factor of more than four between the lower and upper ends of the education scale). In Europe as a whole, people with less education have higher rates of death for all causes except breast cancer (Mackenbach et al, 2008).

When we examine trends over time we find, perhaps surprisingly, that inequalities in mortality have been rising in recent decades, in both Western and Eastern Europe. Unfortunately, however, long lags in the release of mortality data mean the picture is somewhat dated, with trends stopping in the first half of the 1990s. For instance, Mackenbach et al (2003) show increases in socio-economic differentials between 1981-85 and 1991-95 in all six countries examined (Finland, Sweden, Norway, Denmark, England, and Turin, Italy), with particularly large deterioration for men, and especially when classified by educational level. In England and Wales, inequalities in male life expectancy at birth between the highest and lowest socioeconomic class increased from 5.4 years in the 1970s to more than 8 years in the 1990s; and Finland seems to have seen a similar increase (Mackenbach, 2006, pp. 12-13). Mackenbach et al (2008) include more recent data, for the late 1990s and early 2000s, but do not seek to identify a trend, and making comparisons across studies is ill-advised because of differences in methodological details. One more recent study for England and Wales shows a mixed picture, with social class inequalities in life expectancy at birth narrowing for men between 1992-6 and 2002-5 but continuing to increase for women (Sassi, 2009, Figure 7.2).

Eastern European countries, where (perhaps contrary to conventional wisdom) excess mortality appears to have been higher among men in the late 1980s than in the west, also saw increases in socioeconomic differences during the 1990s: Mackenbach (2006) cites evidence from Hungary and Estonia in particular, but points to the Czech Republic as an exception.

What is driving these increasing differentials? One crucial point is that in many cases the widening gap reflects improvements in mortality across the board, but more rapid improvements among higher socioeconomic groups. Let us take differential death rates from cardiovascular disease as an example. These are among the key explanations of differential mortality, explaining over half of excess deaths. These death rates fell substantially during the 1980s and 1990s across much of Western Europe, with everyone gaining but the better off and more highly educated gaining most (Mackenbach, 2006). The improvements have been put down to more effective health care interventions and also to better health related behaviour (less smoking, more exercise and a better diet). It seems that higher socioeconomic

classes took the health messages on board most quickly, and have reaped most benefits as a result.

Similarly, Valkonen (2001) points to declines in the infant mortality rate across socio-economic groups in all the European countries he examines between 1980 and 1995, including Belgium, Austria, Hungary and England and Wales, but improvement is consistently more rapid for the higher than the lower social classes.

This raises interesting questions from a human development perspective. One way of looking at it is as a clear positive: research has helped government put forward health messages which have improved life expectancy across the board, meaning more healthy years of life for all. Surely what matters most to any individual is her own (or her children's) life expectancy, not how it compares to the life expectancy of those on the other side of town? On the other hand, the differentials represent deaths which come unnecessarily early given the state of human knowledge and the wealth of European societies. Excess mortality points to years of life lost because of social and economic circumstances, and there seems no greater inequality than the one which can predict differences in expected life span even before a child is born.

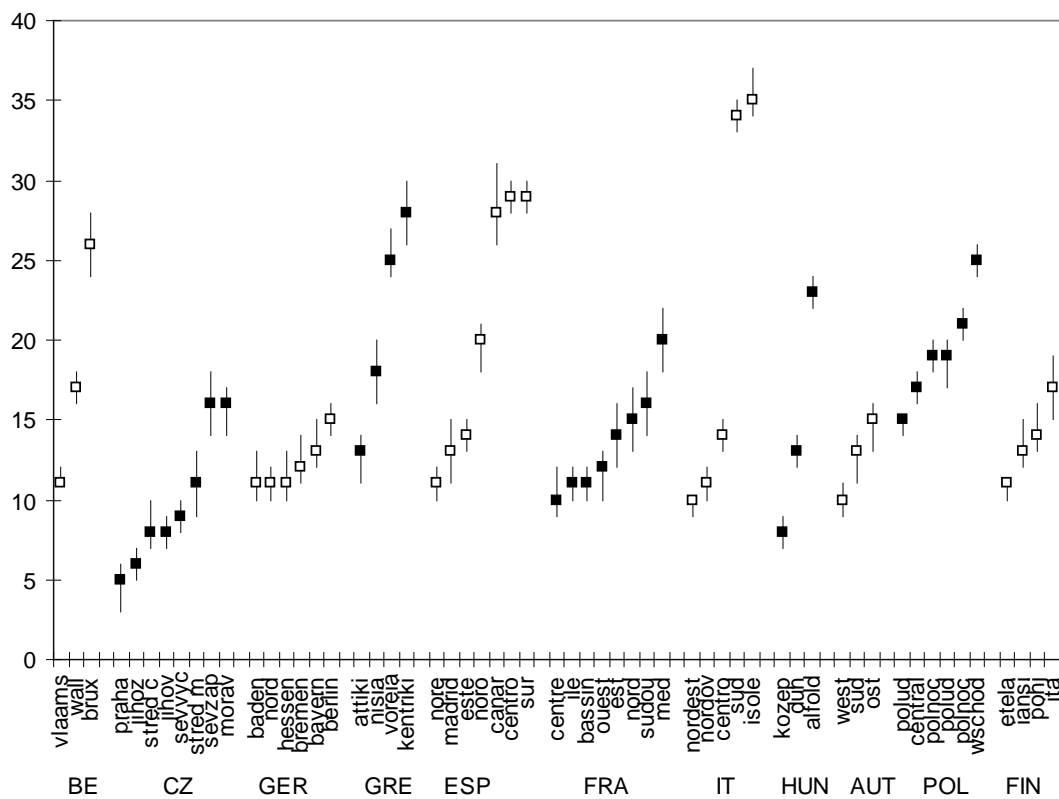
Further, the widening gap is not always explained only by differential levels of progress. In parts of Eastern Europe, including Hungary and Estonia, growing inequality in life expectancy seems to have been driven by sharp *increases* in mortality which have accompanied the transition and which have affected lower socioeconomic classes most (Mackenbach, 2006). Leinsalu et al (2003) present evidence for Estonia which shows life expectancy at age 25 rising for university educated men and women between 1989 and 2000, but falling by up to three years for women and (especially) men with lower levels of education. In 2000, male graduates aged 25 could expect to live 13.1 years longer than corresponding men with the lowest education; for women the difference was 8.6 years. The life expectancy of low educated men aged 25 in 2000 was just 37 years.

#### *Geographical disparities within countries*

Figure 4.4 presents relative poverty rates by within-country regions. The countries included are those where regional sample sizes were large enough to give robust estimates, as reflected in the confidence intervals shown in the figure. Poverty rates are calculated against a poverty line based on national (not regional) median income, so the differentials reflect regional

differences in average income as well as (and probably more than) a more unequal distribution within some regions than others. The extent of some of the differences, even within small countries, is quite astonishing. The use of black and white should help the reader to see which regions belong to which countries; without this device the eye would not naturally group nations together. The north-south divide in Italy is clearly apparent, but so too are extreme differentials within Belgium, Greece, Spain and Hungary, and smaller but still notable differentials within the Czech Republic, France and Poland.

**Figure 4.4 Relative poverty rates by region, EU 2005 (share of population with income below 60% of the equivalised national median)**



Source: EU-SILC data from Ward (2009).  
 Note: 95% confidence intervals are shown.  
*Migrants, employment and income*

In the words of a recent review of inequality in the European Union, “There is evidence, much of it piecemeal, that migrants and ethnic minorities are especially vulnerable to the risk of poverty and social exclusion in the EU” (Lelkes et al, 2009). As the review points out, however, quantifying this additional risk and identifying its causes is not straightforward. Few datasets allow us to identify and track migrants after they have taken up residence in

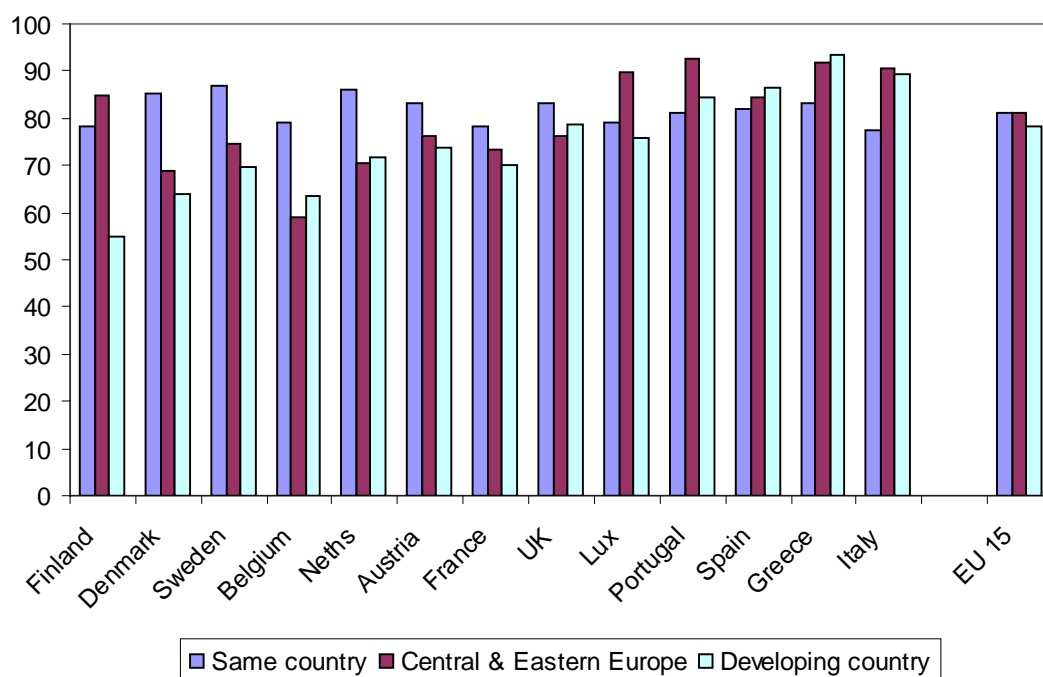
their new country. Similarly, most European-wide sources of data (and many national sources) do not include questions on ethnic background because of sensitivity about the way this type of information has been used in the past. Our approach to the issue in this paper is as follows. In this sub-section we consider evidence put together by researchers from datasets which allow us to identify people resident in a country other than their country of birth (which is a reasonable indicator of first-generation immigrant status, although it will include some people only intending to remain for a short time, and others who happened to be born abroad but would consider themselves nationals). Among other sources, we draw on the work of Lelkes et al (2009) using the EU Survey of Income and Living Conditions (EU SILC) and the EU Labour Force Survey (EU LFS), and on the contributions in Parson and Smeeding's 2006 book. In the following section we go on to look at trends in disparities by ethnic background in the UK, which is one of the few countries where data sources make this possible. This leads us into a discussion of the position of Gypsy, Roma and other Traveller groups, who face high levels of disadvantage and marginalization right across the region.

Using the EU LFS, Lelkes et al (2009) find that 12.5% of people of working age living in the EU in 2007 were born in another country, with a range from 3% in Finland and around 8% in Greece, Italy and Portugal to around 14% in France and the Netherlands, 15-16% in Spain and Sweden and 45% in Luxembourg (see Lelkes et al, Table 3.1). In most countries, at least two-thirds of migrants come from a country outside the EU (Luxembourg is an exception, with just 15% of migrants not EU-born). Comparing these figures to those put together for OECD countries in 1990 and 2000 by Pederson et al (2006), who collated data from individual statistical bureaus, suggests steady growth in the proportion of migrants across much of the region, as well as growth in the share of migrants from outside the EU. Parsons and Smeeding (2006) point out that by the year 2000 some of the classic sources of emigration, Ireland, Italy and Spain, had among the highest rates of inflow per population in the world; while Pederson et al highlight the fact that the new EU member states, while feeding migrants to the west, also became immigration countries themselves, receiving migrants from the former Soviet Union and Yugoslavia.

How do migrants fare compared to the local-born population? In terms of employment rates, there is little difference by immigrant status if we look at the EU as a whole (though the gap is bigger for women than for men). However, this disguises considerable differences between countries, as shown in Figure 4.5. Perhaps contrary to expectation, migrants from developing

countries to Southern Europe (Spain, Portugal, Greece, Italy) have higher employment rates than people born in those countries (though they tend to occupy the lowest-paid jobs: Fernández-Macías and Hurley (2008) note that most of the net jobs created in the two bottom quintiles in Spain, Cyprus, Ireland and Greece were taken up by non-EU nationals). In contrast, in the Nordic countries, Belgium and the Netherlands employment rates for migrants are more than 15 percentage points lower than those for locals. For women (not shown) the pattern is similar, although the difference is larger – at least 15 percentage points in all the EU15 outside of Southern Europe, and over 25 percentage points in Belgium, Denmark and Sweden. These findings echo those of Morissens (2006), who for a more limited set of countries finds a bigger gap in unemployment in Sweden and Germany than in the UK. Lelkes et al (2009) note that the disparity cannot be explained simply by education levels, as the extent of the difference in education between migrants and non-migrants is relatively small, and as disparities are seen within each education level. For instance, in all the EU15 other than Southern Europe, the Netherlands and the UK, unemployment rates for men from developing countries with tertiary degrees are upwards of 11%, compared to less than 3% in each case for the population born in that country.

**Figure 4.5 Employment rates of men aged 25-64 by country of birth 2007**



Note: Countries are ordered left to right by the size of the employment gap between the native born population and the population born in a developing country. No data for Germany or Ireland.

Source: Lelkes et al (2009) using EU Labour Force Survey 2007.

Furthermore, among those employed, migrants from developing countries are much less likely to be working at the level to which their skills suggest they are capable. Among those with tertiary education, only 65% of migrant men from developing countries are working as managers, professionals or technicians, compared with 81% of those living in the country of their birth (the figures are 62% and 78% for women). These differences are found in all Member States including the Southern European countries, and in fact the disparity is particularly stark in Spain and Italy. In Italy, for example, 14% of men and 20% of women from developing countries with degrees are working in elementary occupations, compared to less than 1% of those born in Italy (Lelkes et al, 2009, Tables 3.10 and 3.11).

Van Tubergen (2006) tries to decompose the differences in occupational status between migrants and non-migrants into “composition effects” (to do with differing individual characteristics including qualification levels, but also potential language barriers and the transferability of skills) and “context effects” (essentially capturing discrimination). The limitations of his data (the EU LFS) means he needs to make assumptions about some of the characteristics based on countries of origin and destination, but interesting findings emerge: immigrants do better where the origin and destination country share a language, but worse where the size of the immigrant community is large relative to the total population of the country, suggesting larger groups are perceived as a greater economic threat and are more discriminated against in the labour market. Further evidence for discrimination is that non-white groups face lower occupational status in predominantly white host countries. Research in the UK supports both the importance of language and the likelihood of discrimination. Clark and Drinkwater (2009, p.512) argue that “the fundamental importance of English-language skills as a determinant of labour-market success should not be ignored”; while Dustmann and Fabbri (2005) find evidence of particular disadvantage for immigrants (and especially women) from Pakistani and Bangladeshi backgrounds. Analysis of the 2006 European Social Survey by the 2009 Human Development Report team found that more than 75% of migrants in Europe did not report feeling discriminated against – but this suggests that nearly one quarter did have this feeling (HDR, 2009, p.51). Furthermore, analysis of the World Values Survey by Kleemans and Klugman (2009) found widespread support among locally born people for the proposition, “Employers should give priority to natives when jobs are scarce”, although the authors point to considerable cross-country variation, with Sweden

standing out as an outlier with “extensive popular commitment to non-discrimination against migrants”.

Consistent with the findings on lower occupational status, research on earnings also points to a migrant penalty. Using data from the European Community Household Panel (1994-2000), and focusing on the year of arrival, Adserà and Chiswick (2006) calculate that immigrants start off earning around 40% on average less than native-born workers, after controlling for age, qualifications and experience. Women fare a little better than men (33% compared to 50%), while in terms of continent of origin men from Asia, Latin America and Eastern Europe do worst, with Latin Americans and Eastern Europeans bottom of the women’s distribution. Adserà and Chiswick also find differences vary greatly across host countries, with migrants in Germany and Portugal faring best in relative terms and those in Sweden, Denmark and Luxembourg faring worst, particularly among those not born in the EU. On their calculations, the earnings of immigrants reach parity with those born locally after about 19 years, which they point out is similar to findings for the United States.

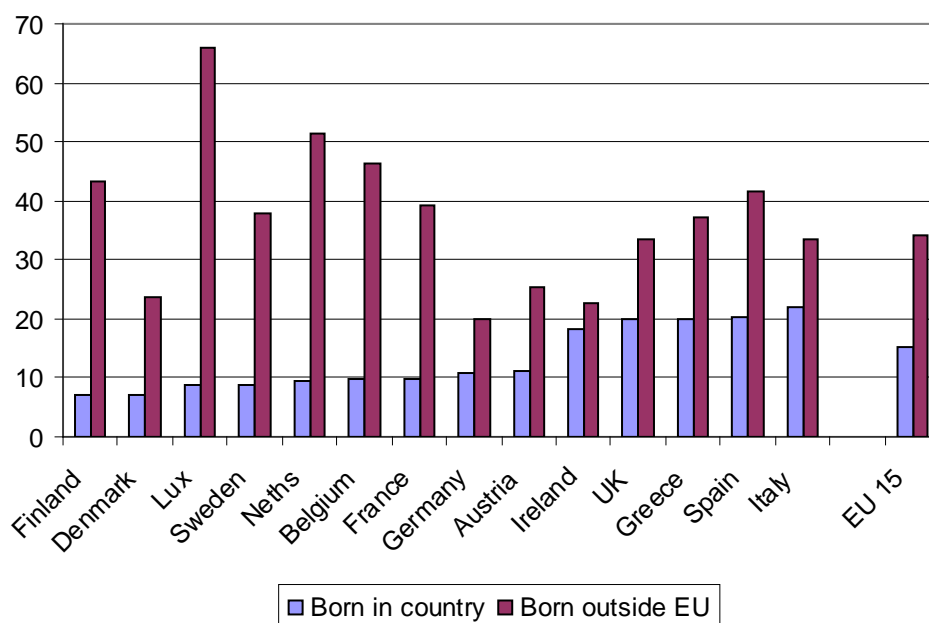
These long-term differences in employment and wages are reflected in household income: Lelkes et al (2009) find that people in households where all the adults are migrants are more than twice as likely to live below the relative poverty line as others, with Portugal the only country where the population born locally is at greater risk of poverty than the migrant population. Research by Timothy Smeeding and colleagues for the 2009 Human Development Report reaches similar conclusions (HDR, 2009, p.51). Part of the increased risk appears due to demographics: there is a higher incidence of single parent households and households with three or more children among the migrants (and the higher single parent incidence may simply be driven by the way the migrant households are defined in the study, with *all* adults needing to be migrants). But lower rates of employment and lower wages are clearly also key factors.

The gap in poverty rates is particularly stark in Belgium, Luxembourg, the Netherlands, France and the Scandinavian countries, as illustrated in Figure 4.6, which shows poverty rates for households with children, split by the migrant status of adults. Countries are ordered left to right according to poverty rates for the locally born population, and it is striking to see that the countries with the lowest levels of poverty overall do not appear to be successful at extending the protections of their welfare states to migrants. For a migrant from outside the EU, Ireland, the UK and even Southern Europe look to be more promising destinations than



Finland, Sweden, the Netherlands or France. These findings are broadly consistent with those for relative employment and wage rates across countries, but they may plausibly also reflect differences in social security systems. Benefits in what Esping-Andersen (1990) terms liberal welfare regimes (like Ireland and the UK) may be lower but more accessible to newcomers than those in corporatist states such as France, where support is more generous but based on social insurance principles (requiring a contribution record), and plausibly even than those in social democratic states such as Sweden, where benefits are based on citizenship (requiring a four or five year period of residence). In fact, Morissens (2006) finds that poverty reduction for workless households of immigrants is fairly effective in Sweden, and argues that the main problem is their poor integration into the labour market.

**Figure 4.6 Relative poverty rate for households with children 2005, by migrant status of the adults in the household (poverty line is 60% equivalised household median)**



Note: No data for Portugal. “Born outside EU” means this is true of all adults in the household.

Source: Lelkes et al (2009) using EU-SILC 2006 data.

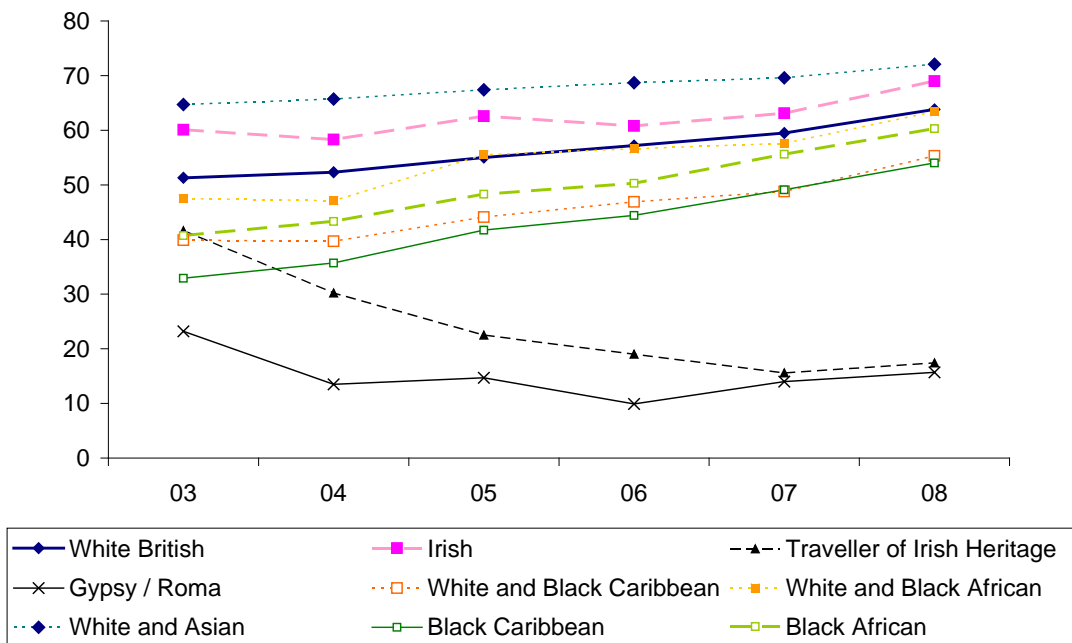
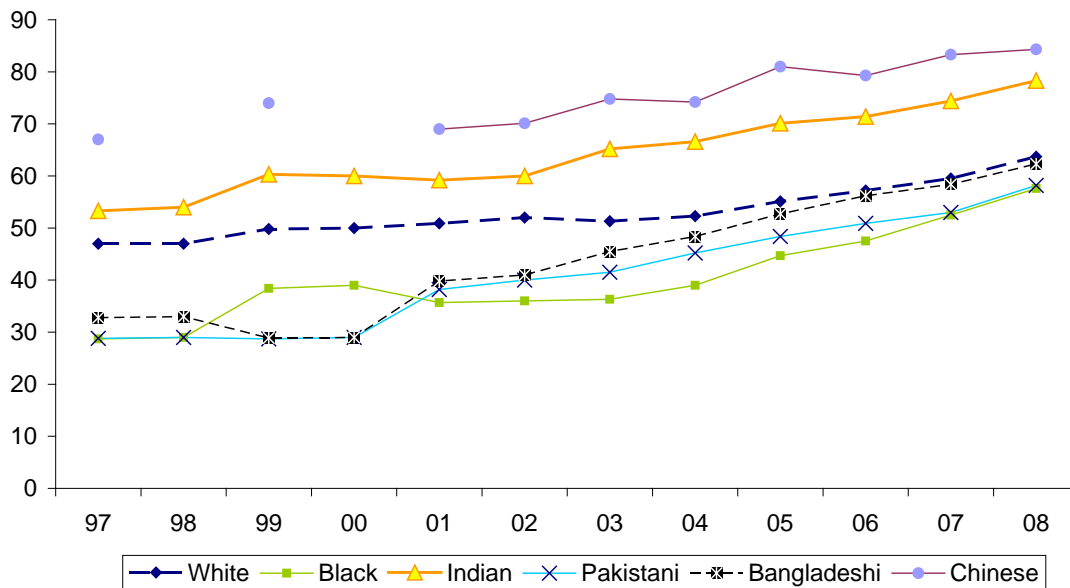
### *Disparities by ethnic background*

Differences between migrants and non-migrants are suggestive of disparities within countries between people of the majority ethnic group and those from minority ethnic backgrounds, but the issues are clearly far from identical: some immigrants are from the majority ethnic background, while many European countries have diverse second and third generation

populations from all over the world. Further, there are considerable differences in the experiences of different minority groups in a given country. As noted above, most EU data does not allow us to distinguish between people on the basis of ethnic background, but this is possible for the UK, where we know quite a lot about disparities in education and employment and the way these have developed over time.

Much of this data is rather encouraging, showing a narrowing of differentials over time, particularly in educational attainment, although large ethnic penalties do remain in employment, with studies pointing to clear evidence of discrimination in hiring practices. Some of the good news is presented in Figure 4.7, which shows change over time in one of the key indicators of educational attainment – five good grades at GCSE (these are the exams taken by 16 year olds, and this level of achievement is the minimum required for further advanced study). The figure shows that after 1997 children of Indian and Chinese background extended their lead over the white majority population, while most other minority ethnic groups made considerable progress in narrowing the gap, with the gains made by children of Bangladeshi background particularly impressive. The Labour government in office in the UK from 1997 introduced a range of initiatives backed by additional finance for schools in disadvantaged areas in general and for those with large percentages of children from minority ethnic backgrounds in particular (e.g. the Ethnic Minority Achievement Grant and the Excellence in Cities initiative) and these programmes appear to have had considerable success (see discussion in Phillips, 2009).

**Figure 4.7 GCSE and equivalent attainment, by ethnic group, England 1997-2008: Percentage achieving at least 5 A\*-C grades**



Source: Phillips (2009) using data from the UK Department for Children, Schools and Families; reported in Hills et al (2010).

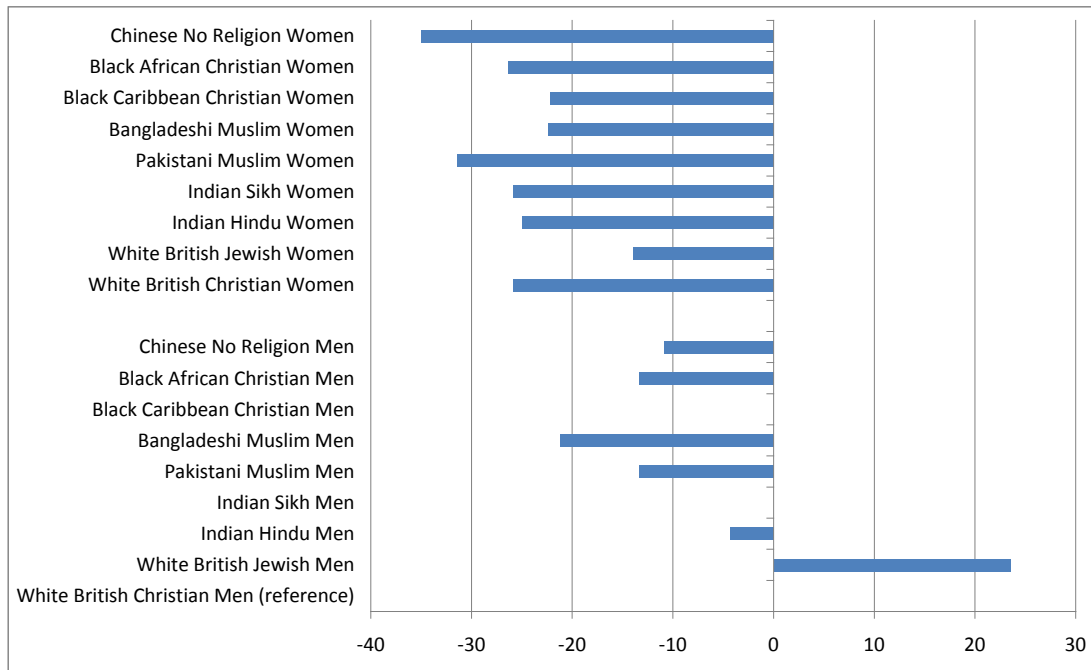
There are two significant caveats to this good news story. The first stands out sharply in the second panel of Figure 4.7: children from Gypsy/Roma and Irish Traveller heritage have done very badly over the period: fewer than one in five achieved the five good GCSE

standard by the end of the period, representing a deterioration in performance for both sets of children, and for the Irish Travellers in particular.<sup>2</sup> The disadvantage experienced by children from Gypsy, Roma and Traveller backgrounds across Europe is taken up further below. The second disappointment is that evidence from the labour market indicates that the closing of the education gap will not be sufficient to wipe out later disadvantage in employment for some minority groups. Figure 4.8 shows estimated hourly pay for a number of ethno-religious and gender groups, compared to a White Christian man with the same personal characteristics and qualifications. Predicted pay for Indian Hindu and Sikh men and Black Caribbean Christian men was within the range of the base group, but Pakistani and Bangladeshi Muslim men and Black African Christian men were predicted to earn between 13 and 21 percent less than a White Christian man with the same characteristics (Longhi and Platt, 2008; see also discussion in Hills et al, 2010). Analysis of time trends presented by Phillips (2009) suggests that these differences are improvements on the situation a decade earlier, but there is clearly a long way to go. Within the women's distribution there are also some indications of disadvantage, notably for Chinese women and Pakistani Muslim women, but what is most striking here is the fact that the gender pay penalty dwarfs the ethnic penalty: with one exception, none of the women's groups are paid more per hour than even the group of men with the lowest predicted pay.

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<sup>2</sup> There are a number of distinct Gypsy and Traveller groups in Britain: English Gypsies, Welsh Gypsies, Scottish Gypsy Travellers and Irish Travellers, and also Roma who have arrived more recently from Eastern Europe.

**Figure 4.8 Pay penalty in the UK by gender and ethno-religious group – percentages 2004-2007**



Note: The bars show the difference in hourly pay predicted for people from each ethno-religious group with the following shared characteristics: born in the UK; non-disabled; married or cohabiting; no dependent children; aged 40-44; level 2 qualifications (e.g. 5 A\*-C grade GCSEs or equivalent vocational qualifications); and working in a skilled trade occupation.

The differences shown are all statistically significant. Pay penalties for Black Caribbean Christian men and Indian Sikh men were not significant.

Source: Longhi and Platt (2008), using the UK Labour Force Survey.

Work by other researchers supports the finding that significant ethnic employment penalties exist which are unexplained by qualifications. Heath and Cheung (2006), for instance, find that penalties were greater for the first generation, born abroad (the migrants discussed above), but that the penalties for the second generation were only a little smaller in magnitude. They argue that there is “considerable evidence from the Home Office Citizenship Survey... and from field experiments that unequal treatment on grounds of race or colour is likely to be a major factor underlying the pattern of ethnic penalties” (Heath and Cheung, 2006, p.2; quoted in Hills et al, 2010). One field experiment carried out recently in the UK put the hypothesis of discrimination to the test by sending out 1,974 false curriculum vitae in response to job advertisements (Wood et al, 2009). Identical CVs were sent to different employers, but names were varied at random to give an impression of ethnicity and gender. The results showed strong evidence of discrimination: 68% of applicants with an

apparently White British name were successful in gaining an interview, compared to 39% of applicants whose names suggested they came from a minority ethnic group. Similar studies conducted in other European countries have also pointed to lower call-back rates for job applicants with foreign-sounding surnames (see e.g. Bursell, 2007 on Sweden and Bovenkerk et al, 1995 on the Netherlands).

We do not have data on employment rates in the UK for Gypsy and Irish Traveller groups, but the education statistics presented above point to disturbing levels of disadvantage, and to a negative trend in recent years. Other research into these groups in the UK suggest that this disadvantage is multi-dimensional. A census of the Gypsy and Traveller population of Leeds, a northern city in the UK, pointed to a life expectancy of about 50 years compared with a Leeds average of 78 years (Baker, 2005).<sup>3</sup> While almost 20% of the general population is over 60 years, this was true of fewer than 2.5% of Gypsies and Travellers in the Leeds Census (Baker, 2005, Table IV). In a study of nearly 300 Gypsy/Travellers across five English locations, Parry et al (2007) found high incidence of respiratory problems, chest pain, anxiety and depression, and excess prevalence of miscarriages, stillbirths, neonatal deaths and premature death of older children: nearly 18% of Gypsy/Traveller women in the study had suffered the death of a child, compared to 1% of the comparator group. Among explanatory factors, Parry et al point to poor environmental conditions, with sites often located near major roads or industrial zones, and no safe places to play; and also to a series of obstacles in accessing health care, including difficulties in registering with a doctor, inadequate information about routine screening (often exacerbated by low levels of literacy), and perceived or anticipated discrimination or hostility. The study also identifies a deterioration in both mental and physical health when people move from a caravan to a house.

There is also evidence of bullying and hostility: a study by Save the Children found that 91% of Gypsy and Traveller children have faced bullying and harassment because of their ethnicity (SCF, 2005). Unpleasant and unacceptable in itself, this is also likely to have implications for mental and physical health, and to be a factor behind very low rates of completion of secondary school, as indicated above.

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<sup>3</sup> Although Romany Gypsies have been recognised as an ethnic group in the UK since 1988 and Irish Travellers since 2000, neither were included as separate categories in the UK Census in 1991 or 2001, so our knowledge of these groups is reliant on small scale studies such as this local census carried out by a Leeds NGO. The life expectancy figure of 50 years was accepted by the UK Department of Health, and led to the inclusion of Gypsies and Travellers as a core strand in the first wave of a new health inequalities programme, Pacesetters.

Reports from other parts of Europe paint a similar picture of marginalisation and exclusion for Gypsy and Roma populations. The Budapest-based European Roma Rights Centre published a report in 2005 on the human rights situation of Gypsies, Travellers and Romany migrants in France, which points to repeated examples of segregation and discrimination, and highlights issues which echo those discussed above in the UK context: inadequate, insecure official caravan sites, poor health, very low rates of completion of compulsory schooling, alongside persistent violence, abuse and harassment (ERRC, 2005). A European Union project investigating education for Gypsy and Roma children in Spain, Italy and France argued that all three countries had failed to positively incorporate children into their education systems, with non-attendance, high drop-out rates and marginalisation the result.<sup>4</sup> Negative social representation and mutual prejudice were held to be one key factor.

The vulnerability of the Roma in Central, Eastern and South Eastern Europe have been highlighted in two excellent regional Human Development Reports. Ivanov (2002) and Ivanov (2006) between them detail the scale of the additional risks faced by Roma children and adults across the region, with education, health, employment and poverty outcomes drastically worse than those for the majority populations of those countries. Ivanov (2002) calls on governments to take the opportunity of accession to the European Union to address the situation, arguing that the countries of Central and Eastern Europe “will become successful members of the EU if the Roma (as well as other vulnerable groups) become integrated productively into their home societies, via employment, education and political participation” (p.5). Unfortunately, the piecemeal evidence already presented suggests that older Member States, despite success on many other counts, are still a very long way from integrating their Gypsy and Traveller populations, or from extending to them levels of well-being that begin to approach those enjoyed by the majority population. The situation of Gypsy, Roma and Traveller groups must be seen as a scar on the human development record of European nations.

## **5. Beyond the core: overall income inequality**

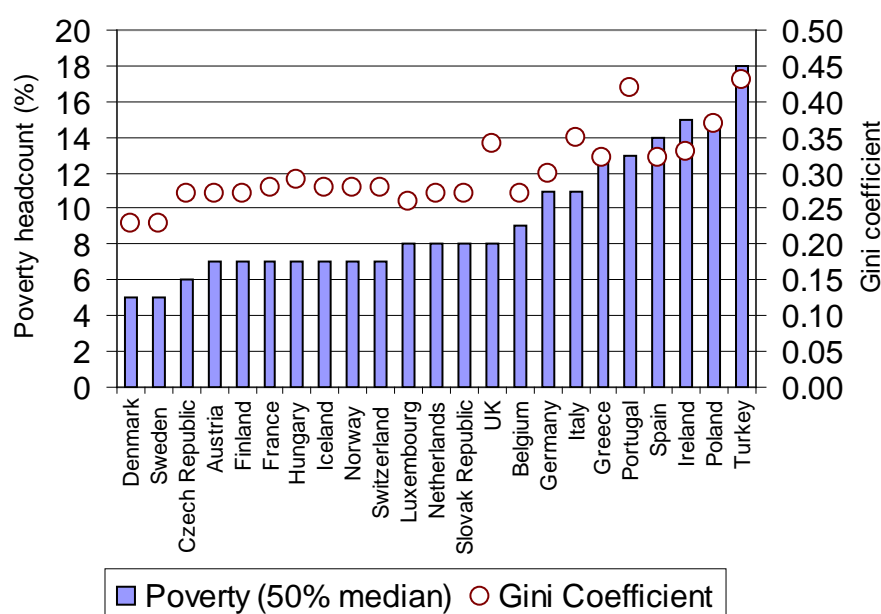
Relative poverty as discussed in Section 3 above reflects inequality between the bottom of the income distribution and the middle. Here we examine trends in the extent of income inequality across the full distribution, as measured by the Gini Coefficient. Figure 5.1 shows

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<sup>4</sup> Project Opre Roma; see European Commission research webpage at [http://ec.europa.eu/research/social-sciences/projects/155\\_en.html](http://ec.europa.eu/research/social-sciences/projects/155_en.html) (accessed Feb 24, 2010).

the Gini to be reasonably well correlated with the relative poverty measure used in the HPI-2: only the UK, Italy and Portugal stand out as having higher levels of inequality than might be predicted from their relative poverty rates. The extent of correlation is no surprise, of course: the bottom half of the distribution is included in the Gini, while compressing this bottom half is much easier if governments harness the resources of the top. But overall income inequality is also of interest and concern in its own right, not just because it is suggestive of higher rates of poverty. Wilkinson and Pickett (2009) point to negative correlations between the level of income inequality and a wide range of other aspects of human development. Most notably, health is better where inequality is lower, and this includes the health of the better off. Crime is lower, and people across the income distribution report higher levels of happiness and life satisfaction.

**Figure 5.1: The Gini Coefficient and the Relative Poverty Headcount 2004 (individuals in households with less than 50% of the equivalised national median)**



Source: OECD (2008), Tables 1.A2.2 and 5.A2.1.  
 Notes: Switzerland 2001; UK and Hungary 2005.

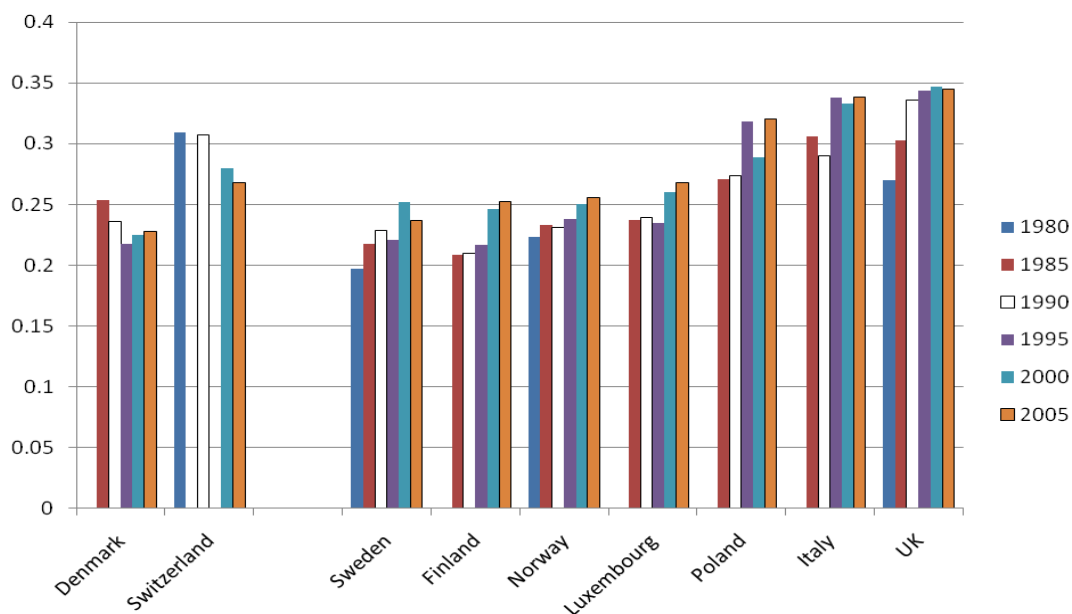
What then has happened to income inequality in the last two decades? In a 2008 review, *Growing Unequal?*, the OECD pointed to rising inequality across its member countries, including those in Europe: 14 out of 19 European countries covered by the study experienced an increase in the Gini coefficient between 1985 and 2005 (OECD, 2008, Figure 1.2). The largest European increases were recorded in Norway, Finland and Sweden (from a low base)



and in Italy and Germany (from a higher base). On the other hand, the only countries in the OECD study where inequality is recorded as having fallen are the five European exceptions – France, Greece, Ireland, Spain and Turkey (but the latest available data for Spain and Ireland are for 2000).

Figures from the Luxembourg Income Study (LIS), which has the advantage of allowing us to identify change from 1990, tell a similar story, as reflected in Figure 5.2, which includes all countries in the LIS which have a datapoint for the mid-2000s. The white bars represent the Gini in 1990: only Denmark and Switzerland have seen inequality fall since then, and in Denmark the trend has been an increase since 1995. (Swiss trend data are not available in the OECD study; OECD data for Denmark show the same U-shaped trend but slight differences in numbers result in a slight increase overall between 1985 and 2005.)

**Figure 5.2: Trends in the Gini coefficient 1980-2005**



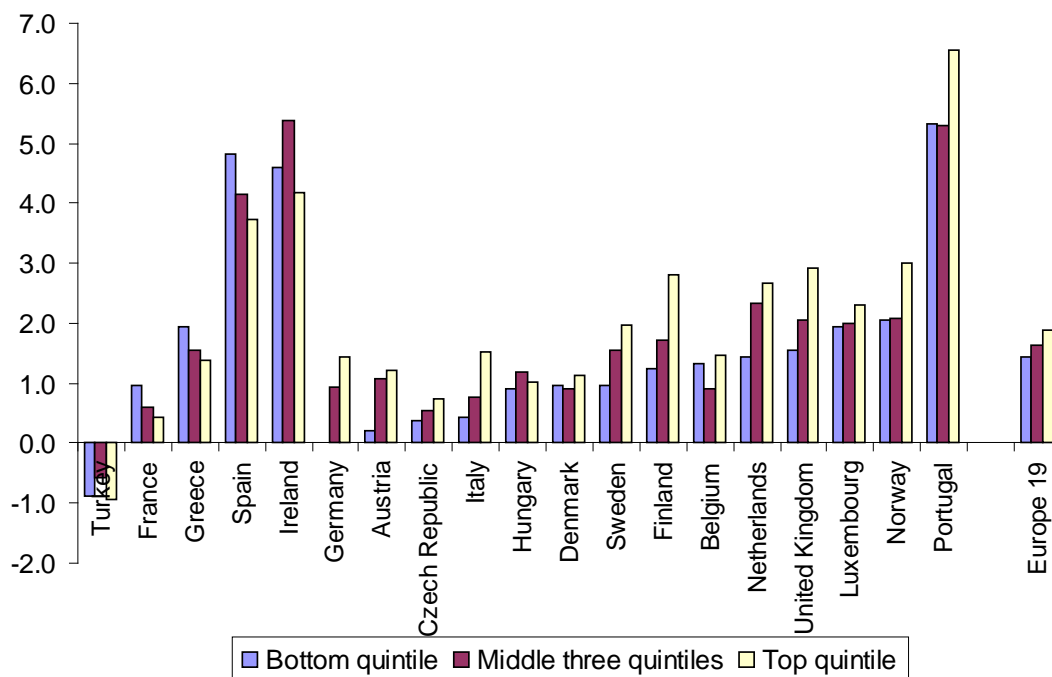
Note: All European countries with a datapoint for 2005 are included. LIS is organised in five-yearly waves, but available data does not always correspond precisely to wave year.

Source: LIS Key Figures.

What is behind this upward trend? The first thing to note is that in most countries the increase has been driven both by faster income growth in the middle of the distribution than at the bottom, and by faster growth for the top than for the middle. This is illustrated in Figure 5.3, which shows growth by quintile between the mid 1980s and the mid 2000s for the 19 countries (the first five on the left are the countries where inequality has fallen). There are,

however, countries where growth at the top has been especially significant: in Italy, Finland, the UK, Norway and Portugal income growth for the top 20% has been particularly rapid relative to that for the middle, and in Portugal, Norway, Belgium, Luxembourg and Denmark we can even say that growing inequality is entirely driven by the top end, with growth for the bottom quintile keeping pace with that for the middle three.

**Figure 5.3: Annual average income growth by quintile, mid-1980s to mid-2000s**



Source: OECD (2008) Table 1.1

Notes: For Austria, Belgium, Ireland, Portugal and Spain figure shows changes from mid-1980s to around 2000; for Czech Republic and Hungary changes from mid-1990s to mid-2000s.

In explaining the trend, market incomes and distributive policy are both important factors, with three factors contributing to more unequal market incomes: earnings, the distribution of earnings across households, and the size and distribution of unearned income (and its correlation with earnings).

Individual earnings have become more unequal in most European countries – although not in all, and not to the same degree. The growth in male earnings dispersion is shown in Figure 5.4: Poland and Hungary show a particularly dramatic widening, but the trend is upwards in all countries with data except Ireland, France and Finland. For full-time women, OECD

(2008) reports similar trends, with the earnings distribution widening in Sweden and the UK, but remaining stable or narrowing in France and Finland. Why has earnings inequality tended to rise? Rising returns to skills and educational qualifications are clearly a key factor. Despite an increasing supply of workers with degrees, the wage premium attached to the possession of qualifications was greater in the mid-1970s than in the mid-1990s (see e.g. Machin, 1999 on the UK). There are in turn two competing explanations for this. The first is that more open trade has resulted in the depression of wages for lower skilled workers in industrialised countries (see e.g. Wood, 1998). The second is that “skill-biased” technological change has increased the productivity and therefore the relative wages of higher skilled workers. Machin (2001) argues that this a much more convincing explanation of the phenomenon we see: he highlights for example the fact that the industries in which trade has increased fastest are not those which have seen the greatest shifts to higher-skilled workers; that increasing returns to skills are observed in developing as well as industrialised countries; and that returns to skills have increased even in industries where no international trade takes place. (See also discussion in Hills, 2005).

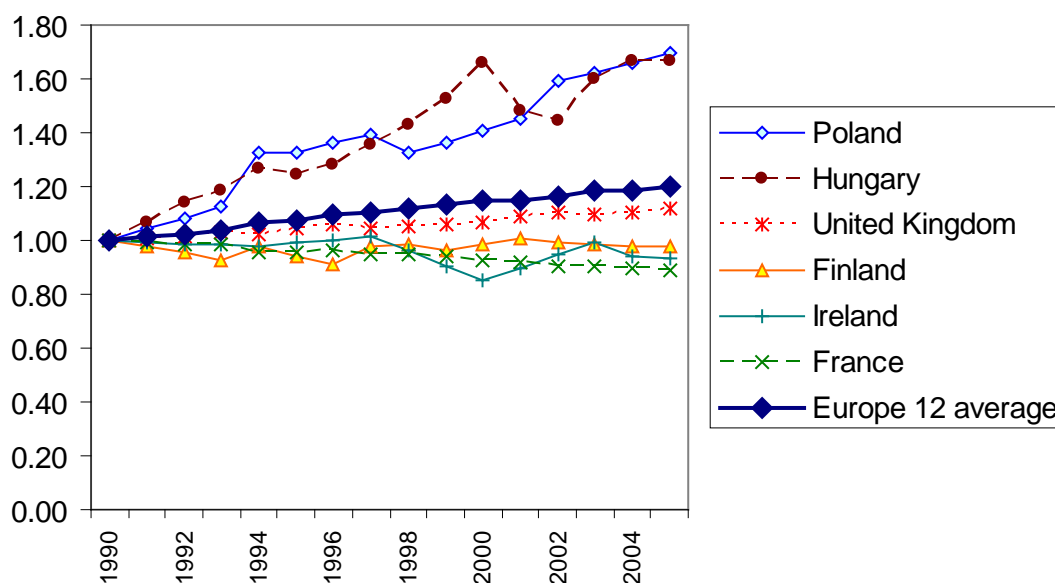
Returns to education do not in any case explain all of the increase in wage inequality, and we can point to two other factors, one affecting wages at the bottom and the other wages at the top. First, in some countries the situation of lower paid workers has been exacerbated by labour market liberalisation and a steep decline in unionisation (see e.g. Gosling and Lemieux, 2001 on the UK; also Dustmann et al, 2009 who argues that Germany also saw a rise in wage inequality in the 1990s, attributable at least in part to de-unionization). Wage differentials did not widen so much in countries with centralised bargaining systems, effective minimum wages or strong unions, which were able to cushion low skilled workers from the changes described by Machin and Wood (see Hills, 2005, who also discusses the literature on whether continental European workers paid a price for this cushion in terms of higher unemployment. In brief, there appears to be no simple trade-off between the two).

Second, Atkinson (2002) argues that relative wages are not determined purely by supply and demand factors, but that social factors are also important, with social norms determining the extent of wage dispersion which is acceptable. Top pay will not increase beyond the highest acceptable levels even if productivity would justify it because firms (and individuals) would incur reputational costs which would not make it worth their while. Atkinson argues that in Anglophone countries we have seen a big shift in these norms which has broken the

constraints on higher pay, and hence allowed far greater wage inequality. (In other joint work, Atkinson and Picketty, 2007 have shown that the share of income of the richest 1% of the population in the UK declined steadily until the late 1970s and then started rising again, by 2000 reaching its highest levels since before the Second World War. In France, Germany, the Netherlands and Switzerland, this measure shows a similar decline to 1980 and continued falls or little change since then.)

While earnings inequality has tended to widen for both men and women, when we consider the distribution across all full-time workers (men and women together), the gap narrows somewhat, reflecting a smaller gender wage gap. That is to say, the fact that the female distribution is catching up with the male distribution offsets to some extent the widening that has been taking place in the two distributions separately (OECD, 2008). On the other hand, when we introduce part-time and temporary workers into the story, earnings differentials widen substantially, reflecting lower hourly pay as well as fewer hours worked. However, it is difficult to assess how the impact of this has changed over time. OECD (2007) reports that the incidence of part-time work has been broadly stable since the mid-1990s with the exception of sharp increases in Germany and Spain, while OECD (2002) finds only marginal increases in the incidence of temporary workers except in Spain, Italy and Ireland (as noted above, these workers are frequently migrants).

**Figure 5.4: Trends in earnings dispersion among men working full-time for selected European countries: 90/10 percentile ratio (index where 1990=1.0)**



Source: OECD (2008), background data to Figure 3.2.

Notes: Europe average is an unweighted average for the 12 countries with data from 1990. Countries not shown are Germany, Czech Republic, Switzerland, Sweden and Netherlands (all very similar to Europe average), and Denmark (very similar to UK).

Growing inequality in individual earnings has been compounded at household level by changes in the distribution of earners across households. In part this is the result of demographic change – in particular the growing incidence of lone parent households (and of single adult households in general) has meant a growing share of households with no earner or just one potential earner; an aging population has also contributed to this trend, although the OECD (2008) says the former effect is the more important. At the same time, increased female labour force participation has seen the rise of the two-earner couple. In a few countries, such as the UK, this was accompanied in the 1980s and early 1990s by increasing numbers of two adult households with no member in work. Berthoud (2007) has pointed out in the UK case that while the number of people in employment was very similar in 1974 and 2003, the structure of employment was very different: about two million people, largely mothers with qualifications, good health and a working partner, worked in 2003 who probably would not have done in 1974; while a similar number of people, largely older men with long-term health problems, poor education and no working partner, did not work in 2003 who would very likely have been earners in 1974. Thus while changes in the structure of labour demand (a decline in manufacturing and heavy industry and the growth of the service economy) has facilitated greater gender equality in the workplace, it has been accompanied by increased inequality between households.

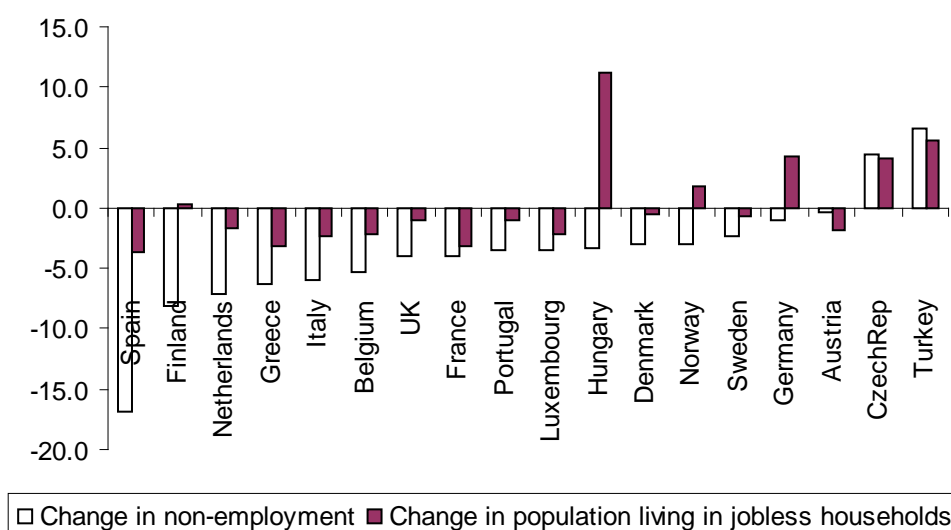
The UK's record on worklessness is particularly poor: of the EU 15 only Belgium had a higher share of the working-age population in workless households in 2008.<sup>5</sup> But OECD data point to similar, if less extreme, trends across other parts of Europe. Figure 5.5 shows that the period from 1995 to 2005 was a fairly strong one for employment growth across Europe. After sluggish growth during the 1980s and early 1990s, 1995 marked a turnaround, with employment growing across the region and particularly rapidly in low employment countries. These changes have been linked to supply-side measures including active-labour market policies, changes to tax regimes, gender equality measures and the loosening of labour market regulations as the European Union and the OECD began to focus attention on

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<sup>5</sup> Eurostat data reported on the New Policy Institute Monitoring Poverty site 2009 ([www.poverty.org.uk](http://www.poverty.org.uk), accessed January 8 2009).

the need to increase the employment-intensity of economic growth, a process encapsulated by the European Employment Strategy of the late 1990s (Trubeck and Mosher, 2003; Fernández-Macías and Hurley, 2008). However, Figure 5.5 suggests that falls in individual non-employment were at best only partially translated into falls in the share of people living in a household with no earner. This indicates that, as in the UK, in many cases the beneficiaries were second earners (only households with a head of working age are included in the figure). These data also help to explain why the OECD finds only a modest negative association between employment and poverty rates across countries, even though on an individual level the association between joblessness and poverty is strong.

**Figure 5.5: Percentage point change in non-employment and in the share of population living in jobless households, 1995-2005**



Source: OECD (2008), Table 3.1

Notes: Non-employment rate is for working-age population only; people in jobless households includes only those where the household head is of working age. Change is for 1995-2000 for Austria, Belgium, the Czech Republic, Portugal and Spain.

The new member states represented in Figure 5.5, the Czech Republic and Hungary, have seen less improvement in employment overall (and these are among the countries which have recorded the lowest and most stable unemployment rates in the former Eastern bloc; see Brainerd (2010)). Fernández-Macías and Hurley (2008) point to the different pattern of employment evolution of these countries, reflecting in part an earlier stage of economic development and in part the intense restructuring of the recent transition to capitalism. While

patterns vary across countries, in general they have seen substantial job destruction in the agricultural and industrial sectors, combined with considerable job creation in the middle, particularly in high technology. Consistent with this, Brainerd (2010) points to evidence that workers with lower levels of education have borne a disproportionate share of the burden of increased unemployment in the transition states.

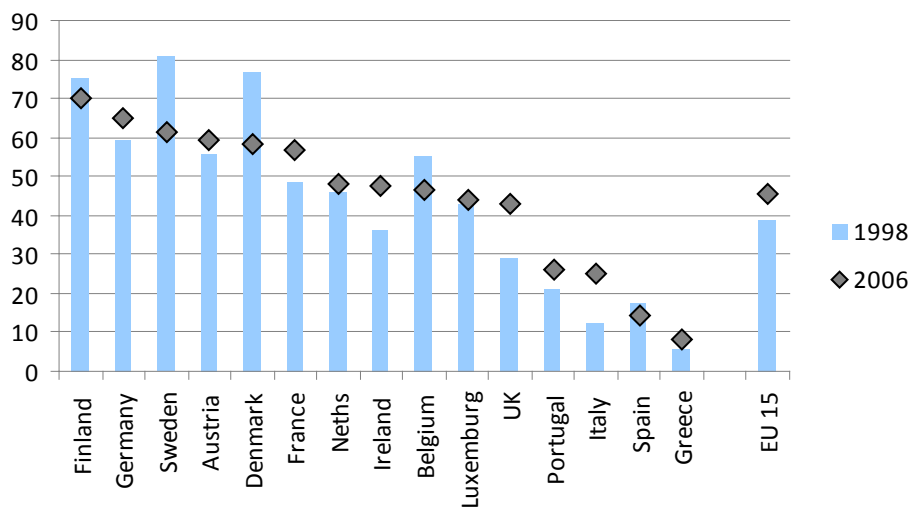
Changes in the size and distribution of unearned income have also contributed to growing income inequality in Europe: the OECD calls this “a major cause” of wider income inequalities. Unearned income is much more unequally distributed than household earnings: the Gini coefficient for capital income is around a quarter higher on average than for earnings, with only Poland and Switzerland showing a lower Gini for capital (OECD, 2008). As households with higher earnings also tend to have higher levels of capital income, the effect is to increase household inequality further.

Unearned income has also become more unequal in the decade to 2005, with particularly sharp increases in the Nordic countries and in Italy and Hungary, although there were falls in Turkey and the Czech Republic (OECD, 2008). Further, capital income has grown in weight within household disposable income: OECD (2008) points to particularly large increases in Hungary and Norway. This may result, among other things, from higher capital-output ratios and lower bargaining power of workers, which have seen the wage share in value-added declining significantly across OECD countries since the 1980s.

All these trends have contributed to increasing inequality in gross market incomes. What impact have governments had in ironing out these increased differentials, and how has this impact changed over time? It is clear that redistribution through taxes and transfers can have an enormous impact on income inequality. OECD (2008, p111) notes that the countries with the largest redistribution through taxes and transfers are generally also those which record the lowest inequality in the distribution of household income. Figure 5.6 shows the extent to which taxes and transfers reduced the child poverty rate in the then EU 15 in 1998 and 2006. In 2006 the impact varied from 70% in Finland to a low of under 10% in Greece, and in general Scandinavian countries and continental Western Europe had the greatest impact, with Southern Europe much less. The figure also shows that it is possible to improve the effectiveness of the system over time: the improvement in the UK’s position reflects deliberate attempts by the Labour Government to increase transfers to low income households with children. On the other hand, changes in the effectiveness of the system seem

to be much smaller than differences between countries, suggesting that while policy does make a difference, achieving major policy change is difficult. Again, the UK provides an illustration, as the reduction in child poverty, while laudable, has been far from sufficient to keep the country moving towards the government’s stated target of having among the lowest child poverty rates in Europe by 2020. By 2006 the UK’s child poverty rate had moved up from bottom of the EU 15 to joint bottom (Stewart, 2009).

**Figure 5.6: Impact of taxes and transfers on child poverty rate 1998 and 2006, EU15: percentage reduction in the poverty rate achieved by taxes and transfers**



Source: Stewart (2009) using Eurostat database 2008.

Are there broad lessons we can draw from the countries which do have a high level of fiscal impact about the way in which this is achieved? Some rather obvious points stand out. Countries which are most effective in reducing market levels of income inequality tend to have progressive income tax rate systems, dedicate a higher share of GDP to social spending, and usually rely more heavily on universal rather than means-tested benefits. However, countries are not in general moving in this direction: in the current economic climate spending cuts rather than expansion are on the horizon, and this brings with it a greater focus on targeting.

Matsaganis and Szivos’ (2009) examination of recent changes in policy affecting income distribution in Europe points to five key trends. First, they point out that most new Member States have moved away from progressive income tax systems to flat-rate regimes, often with very low rates. Slovakia and the Baltics adopted this approach in the 1990s, with Bulgaria,



the Czech Republic and Romania following more recently; income tax in Bulgaria is now just 10% and in the Czech Republic 15%. Second, there has been a widespread move to improve work incentives, usually through the use of wage subsidies or tax credits to increase the returns to low-paid work. Only Germany and Italy appear to have taken the harsher route of reducing the generosity of out of work benefits, with obvious implications for poverty. Increases to the minimum wage have been another means of making work pay, with substantial rises in most new Member States, Southern Europe and Turkey. Third, there have been increases in a number of countries in rates of social assistance or guaranteed minimum incomes, including Belgium, Estonia, Cyprus, Hungary and Portugal (although in other countries, notably Bulgaria and Poland, minimum income rates have been frozen in nominal terms and/or eligibility rules have been tightened, while Germany and Italy have cut unemployment benefit, as noted). Fourth, there has been a widespread focus on supporting families, with more generous parental leaves and child allowances. Finally, a major aim of policy has been to improve the long-term viability of pension systems in the context of demographic aging. Countries in Eastern Europe and elsewhere which had particularly low retirement benefits have seen increases, often through the introduction of wage indexation (this includes Bulgaria, Romania, Estonia, Lithuania, Hungary, Poland, Slovenia and Ireland).

In all this adds up to a welcome focus on the poor, but not to a sufficient restructuring of redistribution to make a wider difference to the overall income distribution, with trends in taxation in many countries moving in the opposite direction. The economic crisis is likely to place higher taxes on the agenda, and depending on how these are structured this may have positive side effects for post-tax inequality. For example, the UK has introduced a new higher rate of income tax for top earners as a means of addressing the budget deficit, and higher earners will also bear the largest burden of the austerity package being put together in Greece. In the past, recessions have been known to lead to falling rates of relative poverty, as the real incomes of those in the middle of the distribution fall, leaving those on fixed incomes such as pensioners better off in relative terms. Looking at UK data for the 1970s, 1980s and 1990s, Muriel and Sibieta (2009) find that the incomes for those in the middle tended to fall by a little more than incomes at the bottom during each recession, resulting in a slight fall in relative poverty. Patterns of overall inequality were less consistent, falling slightly during the recession of the 1970s, rising during the early 1980s and remaining flat in the early 1990s, which the authors suggest may reflect simultaneous changes to taxation: there were tax

increases on higher incomes during the 1970s and tax cuts in the early 1980s. If this is the case, it suggests that in this recession we may see both inequality and relative poverty fall a little, at least in countries like the UK which have increased top tax rates.

On the other hand, Muriel and Sibieta's analysis also shows constant or rising levels of *absolute* poverty (poverty measured against a fixed income poverty line). Rising unemployment means growing numbers of households dependent on benefits, while measures to cut deficits will inevitably hit those on lower and middle incomes as well as higher incomes: in Greece public sector pay is being frozen and there will be large increases in duties on fuel, tobacco and alcohol. Cuts are likely to affect the level of benefits, and will limit investment in long-term drivers of life chances such as education. In short, while income inequality statistics may improve somewhat, the next decade is unlikely to be a more promising time for the reduction of poverty and the broadening of human capabilities than the last.

## **6. Beyond the core: agency, empowerment and social capital**

Compared to people in many other parts of the world, most Europeans in 2010 have extensive control over most decisions affecting them. They vote in elections and can stand for political office themselves; they decide where to live, what to study and where to work; they can choose whether to follow a religion and whether to marry or cohabit or to raise children on their own. Clearly there are exceptions and nuances to this picture. For one thing, economic inequalities of the kind outlined above inevitably mean that formal freedoms and opportunities have more effective value to some people than to others. For another, Europeans grow up in households and communities with different religious and cultural values, and these will sometimes circumscribe an individual's choices. There are also still examples of freedoms denied by law to particular groups across the majority of European countries: gay marriage, for example, is only legal in six of the 31 countries (Belgium, Netherlands, Norway, Spain, Sweden and – from April 2010 – Portugal). (On the other hand, a further 12 countries recognise civil unions or registered partnerships, while homosexuality is legal in all 31 – something that could not have been said in 1990. Ireland, Cyprus, Romania and the Baltic States all legalised homosexuality during the 1990s.)

In addition, while Europeans as a whole may be better off in this regard than residents of many other countries, there are still wide disparities across the continent in the extent to

which formal rights and freedoms translate into real agency and empowerment. In part this reflects historical development: while all the countries covered in this paper are democracies, they have reached this position through different historical pathways and at different times. England has a tradition of basic liberty going back as far as the Magna Carta in 1215, and has been governed on the basis of a form of universal suffrage uninterrupted since the 1830s (though with the vote only extended to non-propertied men in the 1860s and to women in 1919). The French Revolution of 1789 led to the Declaration of the Rights of Man, considered the precursor of modern international human rights instruments; universal male suffrage has existed in France since 1848. In contrast, Southern European countries such as Spain and Portugal were dictatorships as recently as the 1970s, while the Eastern European member states have only moved to liberal democratic rule in the 1990s.

Furthermore, the nature of democracy varies widely across countries. In the UK national elections are held every four or five years, and the first-past-the-post electoral system usually leads to the emergence of a parliamentary majority which can govern unopposed in the interim – a set-up sometimes referred to as an “elected dictatorship”. In contrast, the “direct democracy” approach of Switzerland allows a national referendum if just 100,000 citizens sign a petition (or 50,000, if they wish to challenge a law passed by parliament).

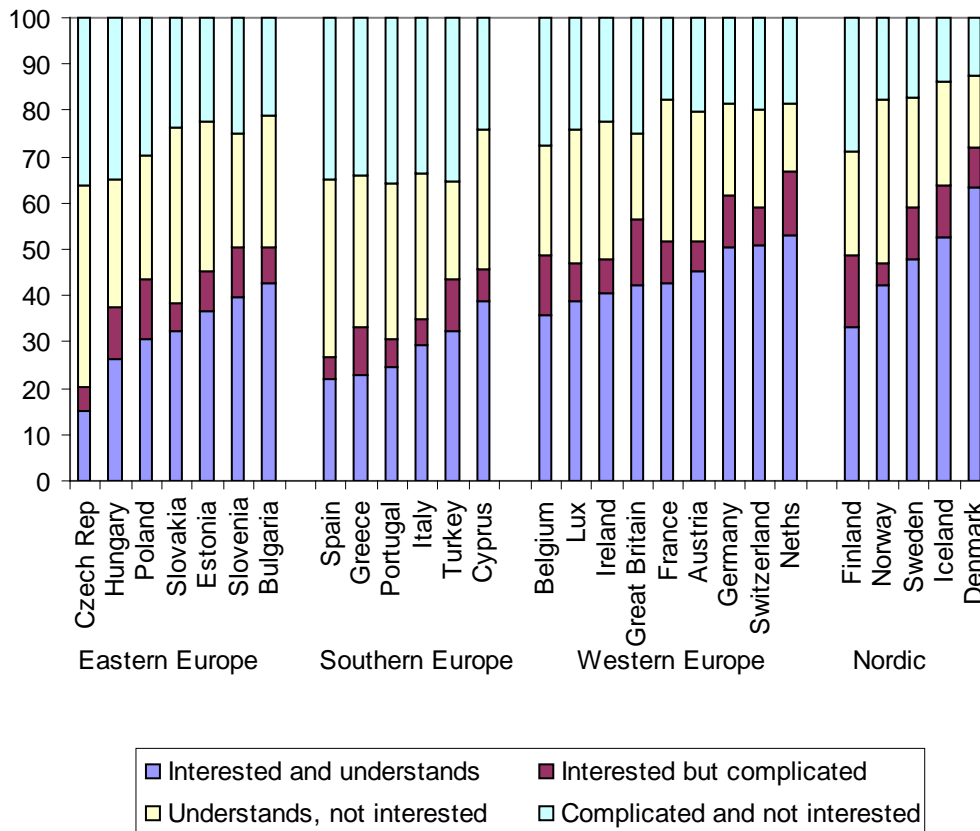
Constraints on space and time mean this paper cannot begin to do justice to the issues touched on here, and the aim of this section is modest: to present some descriptive statistics which give a sense of the variation across the continent in the extent of control Europeans exercise over their lives. It does this using evidence from the European Social Survey (ESS), a large survey of public attitudes carried out biannually since 2002 in 27 of the countries covered in this paper (not all countries participated every year). We look at agency in two areas: involvement with political decision making and the extent of control over individual’s working lives. We also make use of the same survey to explore the question of generalised trust, which is considered a good indicator of the strength of social capital in contemporary societies.

With regard to politics, what we would like to know is whether individuals believe they have an impact on the political decisions which affect them. There is no question in the ESS which asks this directly, so we examine two sets of indicators which we think should reflect this belief. First, we look at whether ESS respondents take an interest in politics, and whether they feel they understand what is going on. The idea is that taking an interest and having the

ability to understand political issues are necessary conditions for political empowerment. Of course it is quite possible to imagine an educated and interested individual in a country with no democratic institutions or processes; that is, interest and understanding may be necessary but not sufficient conditions for empowerment. Hence we also look at a second set of variables, reflecting respondents' direct involvement in politics. The assumption here is that people will not take political action if they do not believe it will have some impact on decision making. (For these figures, the Anglophone countries have been grouped with Western Europe, Turkey with Southern Europe, and Eastern Europe and the Baltics together.)

Figure 6.1 shows that across Eastern and Southern Europe and in half the countries of Western Europe fewer than half the population find politics interesting (whether or not they feel they understand it), with the figure dropping below a third in Spain, Portugal, Italy, Greece and the Czech Republic. Only five countries (Denmark, Iceland, Germany, Switzerland and the Netherlands) have a majority of the population who both find politics interesting and feel they understand it. This points to a worrying lack of engagement which may reflect a sense of powerlessness over national politics. Across Europe, around 10% of respondents say they are interested but find politics complicated, and there is little pattern here; that is, countries which display lower interest do not tend to have either a higher or lower incidence of people who find politics complicated than countries where interest is high.

**Figure 6.1: Interest in and understanding of politics across Europe 2008**



Source: Author’s calculations from the European Social Survey.

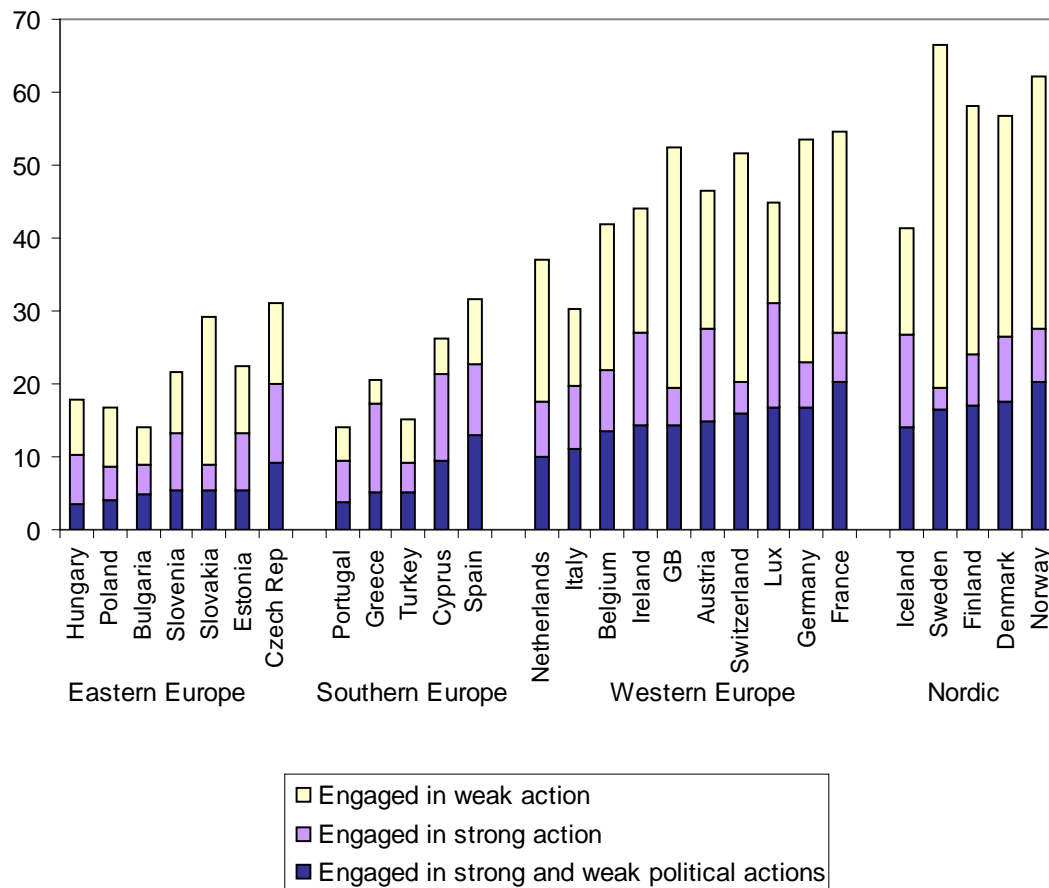
Notes: Answers to two questions were combined to produce this figure. ‘Interested and understands’ indicates that the respondent claimed that they were very or quite interested in politics; and that they never, seldom or only occasionally found politics too complicated to understand. At the other extreme, ‘complicated and not interested’ includes those who said that they hardly or not at all interested in politics and that they regularly or frequently found politics too complicated to understand.

Data for Austria and Ireland is 2006; for Czech Republic, Greece, Iceland, Luxembourg and Turkey 2004; and for Italy 2002.

Figure 6.2 shows the extent of active political engagement. We group political action into two categories. “Strong” action includes contacting a politician, working for a political party or action group, or going on a public demonstration. “Weak” action covers activity that involves less effort: wearing a badge, signing a petition or boycotting a product for political reasons. Involvement in a form of strong political action shows a similar degree of variation across the region to the interest in politics variable, although here the lowest levels are found in Eastern Europe, perhaps reflecting the more recent transition to democracy. Within Eastern Europe strong political action is most common in the Czech Republic, despite the very low levels of

expressed interest in politics in that country. Engagement in weak political action shows even greater disparity, with the highest levels in the Nordic states and the lowest in Southern and Eastern Europe.

**Figure 6.2: Engagement in political action in the last twelve months, Europe 2008**



Source: Author's calculations from the European Social Survey.

Notes: 'Strong' political action includes contacting a politician or government official, working for a political party or action group, and taking part in a lawful public demonstration (only one action is required to classify as engaging in strong political action). 'Weak' political action includes wearing or displaying a campaign badge or sticker, signing a petition, and boycotting products (again, only one action is required).

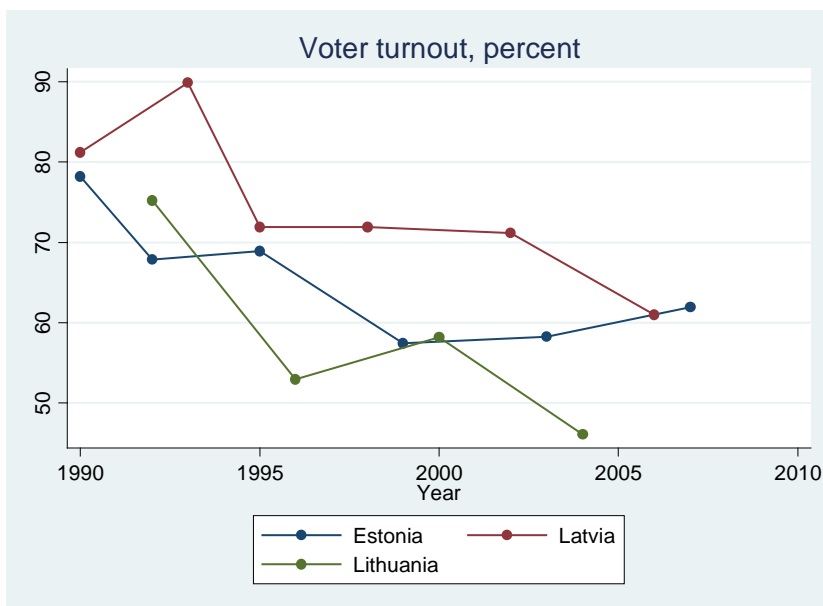
Data for Austria and Ireland is 2006; for Czech Republic, Greece, Iceland, Luxembourg and Turkey 2004; and for Italy 2002.

These figures are clearly a little depressing, particularly for Southern and Eastern Europe, but also for Western Europe and even some of the Nordic countries. In countries with both a long history of democracy and twelve or more years of free and compulsory schooling, such high levels of disengagement from the political process are discouraging. Furthermore, if low

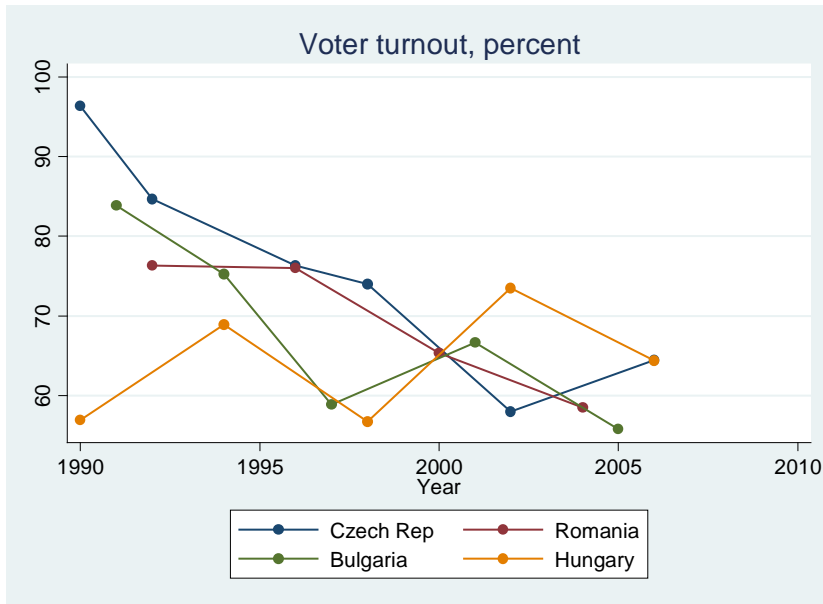
voter turnout figures are a good indication, then disengagement has been on the increase over the last fifty years, despite an increasingly educated electorate. In the UK, for instance 59.1% of the population voted in the 2001 general election, making it the lowest turnout since 1918 (when many troops were still abroad) (Curtice, 2005). Figure 6.3 shows that many other parts of Europe have seen similar declines in general election turnout, including rapid falls in the new Eastern European democracies since the early 1990s. Turnout figures for local and European elections tend to be even lower. Norris (2001) writes that “the erosion of turnout evident in the June 1999 elections to the European Parliament ... set widespread alarm bells ringing in Brussels, Strasbourg and Luxembourg as further evidence that the public is becoming disenchanted and disengaged with European politics”.

**Figure 6.3 Voter turnout in general elections since WWII (or since 1990 for Eastern Europe and the Baltic States)**

Baltic States: Voter turnout since 1990

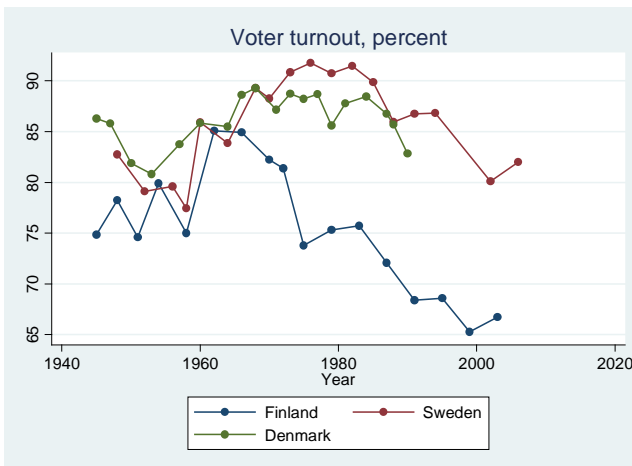


### Eastern Europe: Voter turnout since 1990

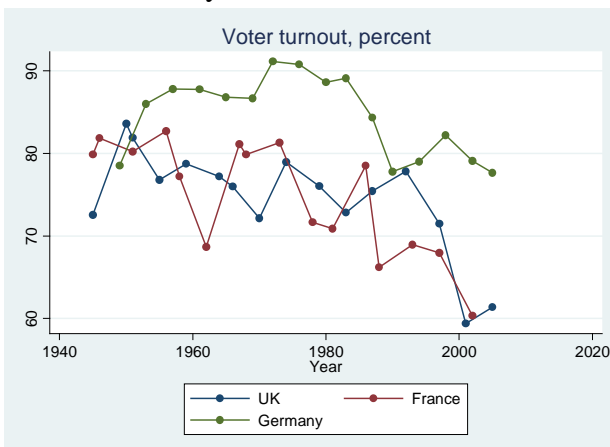


Source: All data from the International Institute for Democracy and Electoral Assistance, Voter Turnout Database.

### Nordic countries: Voter turnout since the Second World War.

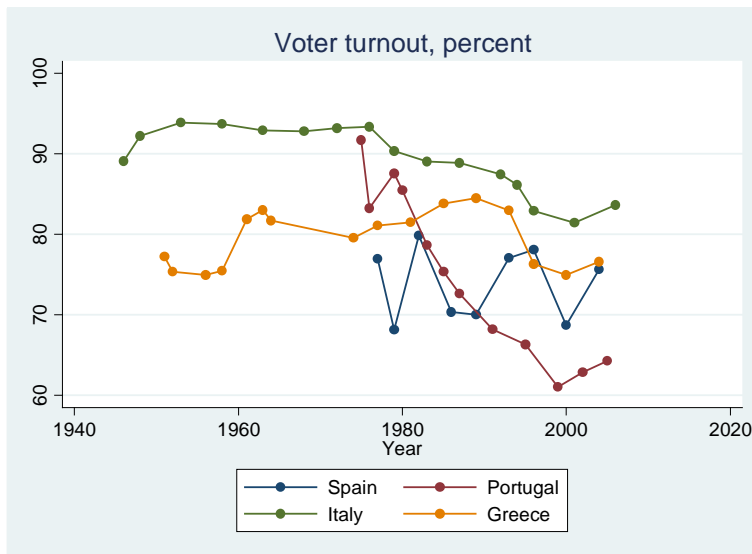


### France, Germany, UK: Voter turnout since the Second World War.





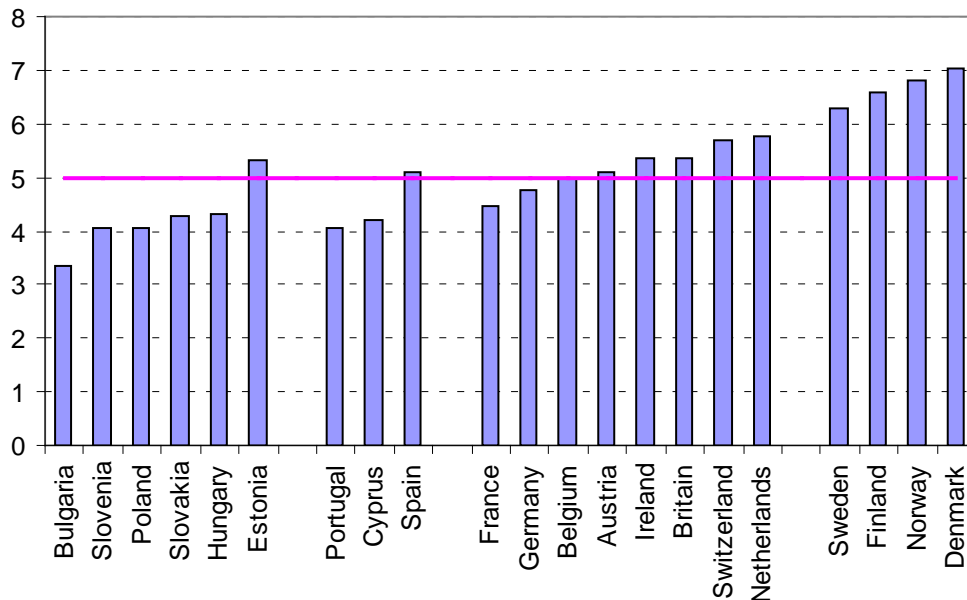
## Southern Europe: Voter turnout since the Second World War.



A number of theories have been put forward for declining turnout. One set of explanations is based round the importance of group membership and identity for mobilizing the vote. There are a number of sub-theories: parties, unions, interest groups and churches can politicize voters, increasing the likelihood of voting (Verba, Schlozman and Brady, 1995); they are able to organise and remind their members to go to the polls; and they also increase the “social incentives” for involvement (Rosenstone and Hansen, 1993). Analysing data for 18 industrial countries from 1950 to 1997, Gray and Caul (2000) find that nations that saw a decrease in unionization also saw the largest decline in voter turnout over the period. Curtice (2005) also points to the decline in party identification as a key factor in the decline in turnout in the UK. But while convincing, this line of thinking offers only the beginnings of an explanation. Exogenous causes such as curbs on union power can be found for declining unionization, but declines in party and interest group membership themselves need to be explained. Wider declines in community networks and broader social capital may be a key part of the story, as documented for example for the US by Putnam (2000) and Costa and Kahn (2001), although Hall (1999) argues that there is no evidence of similar declines in the UK. We do not have data available to track changes in social capital over time across Europe, but Figure 6.4 presents an indicator for generalised social trust; a measure which Halpern (2005) calls the “rough-and-ready measure” of social capital. (Putnam (2000) showed that 85% of the variability captured by a complex index of social capital, including socialising with friends, entertaining guests at home, organisational membership and activity, and social trust, could be captured by this generalised question.) The pattern across Europe is strikingly similar to

that for the political engagement questions, with much higher levels of trust in Scandinavia and parts of Western Europe than in Southern and Eastern Europe.

**Figure 6.4 Mean Generalised Trust Scores from the ESS 2006**



Note: Respondents were asked: “Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people? Please tell me on a score of 0 to 10, where 0 means you can't be too careful and 10 means that most people can be trusted.”

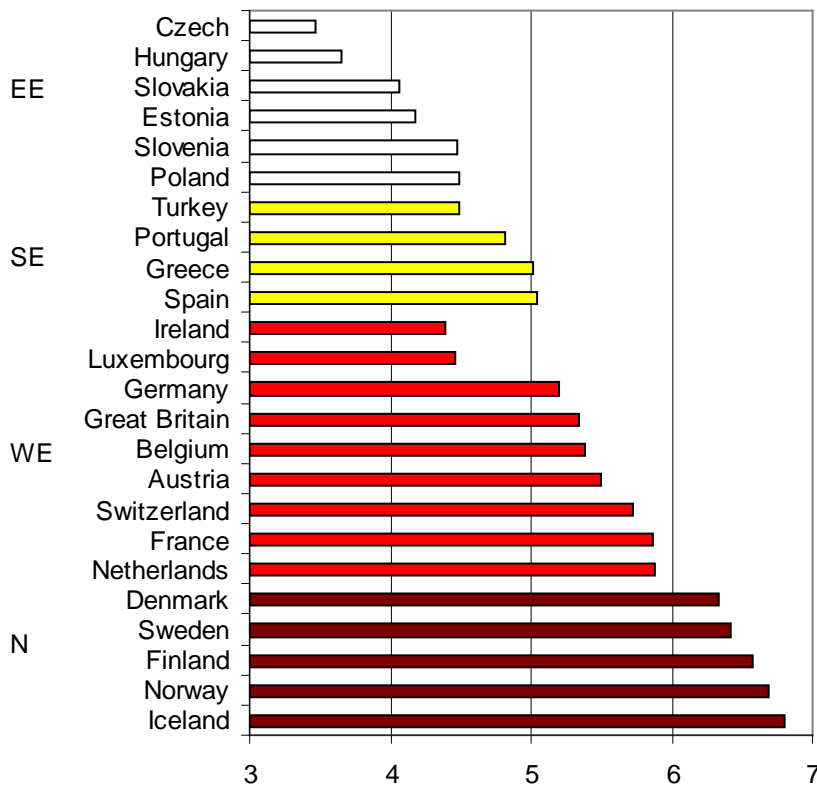
One interesting question is whether there are differences in civic and political engagement by age groups – in particular, whether younger cohorts are less likely to participate. Analysing voter turnout figures and the European Social Survey, Fieldhouse et al (2007) find much lower participation among young people: across 22 European countries the average turnout in elections between 1999 and 2002 was 70% compared to 51% for those under 25. A range of literature has reached similar conclusions: see for instance Franklin (1996); Whiteley et al (2001); Wattenberg (2002), although the deficit appears to vary across countries (and across studies). Wattenberg (2002) finds a generation gap between oldest and youngest cohorts of over 30 percentage points in Switzerland but rather less in the Netherlands and Spain. Comparing under and over-25s Fieldhouse et al (2007) find a gap of over 30 points in Spain, Greece, Ireland, the UK, Norway and Slovenia and only four countries with a gap smaller than 10 percentage points: Sweden, Italy, the Czech Republic and Belgium (where voting is compulsory). Studies which have tracked the participation of the young over time also point to falling engagement: e.g. Park (2000) reports that in 2000 only one in ten 18-25 year olds

were 'interested' or 'very interested' in politics in Britain, which was less than half the proportion of the same age group a decade earlier. One worry is that participation among these cohorts will remain low as they age, leaving what has been called a 'footprint' of lower turnout (see Fieldhouse et al, 2007), but low engagement among the young is also a concern in its own right.

Studies of social capital have tended to find that young people are the least anchored members of society (e.g. Hall, 1999; Putnam, 2000), and if political participation is linked to social capital, as discussed above, this may explain lower turnout. Fieldhouse et al (2007, p.812) write that "a key theme in much of the American literature is that young people's lack of social capital has resulted in their tendency to drop out of participatory politics altogether". This would imply that solutions lie in the difficult terrain of boosting social capital and social trust among the young. However, some writers have suggested that there are simple measures that could be taken which could make a difference, notably lowering the voting age. Halpern (2010) points to evidence from trials in Germany in which 16-18 year olds given the chance to vote did so in considerably higher numbers than 18-24 year olds. Arguably, those still in full-time education are more likely to vote because they have higher exposure to discussions of politics and citizenship during the campaign, while Halpern suggests that the likelihood of voting in future years is tied to one's first experience so there might be a lasting impact. Having a greater pool of young people in the electorate would also increase youth representation even if proportionate turnout among the young remained low.

Finally, Figure 6.5 shows an indicator of agency in a rather different sphere, aiming to reflect individuals' sense of control over their daily working life. The indicator is a simple average of responses to three questions, which asked how far the respondent was (i) allowed to decide how his/her daily work was organised; (ii) allowed to influence decisions about activities or organisation; and (iii) allowed to choose or change the pace of work. Once again we see a familiar pattern, with the highest levels of agency recorded in the Nordic countries, followed by the Netherlands, France and Switzerland.

**Figure 6.5: Perceived control over daily working life (current or most recent job), Europe 2004 (Index from 0-10, where higher values represent greater control)**



Source: Author's calculations from the European Social Survey

Note: The index is a simple average of three ESS variables, each of which were scored by respondents on a scale of 0-10, where 1 was 'I have/had no influence' and 10 was 'I have/had complete control'. The three questions asked to what extent the respondent was (i) allowed to decide how his/her daily work was organised; (ii) allowed to influence decisions about activities or organisation; (iii) allowed to choose/change the pace of work. An alternative way of combining the variables, using factor analysis, was also tried. For most countries rankings were the same, but Iceland, Greece and Turkey all did a little less well. The results for the index are presented here as they can be interpreted more easily.

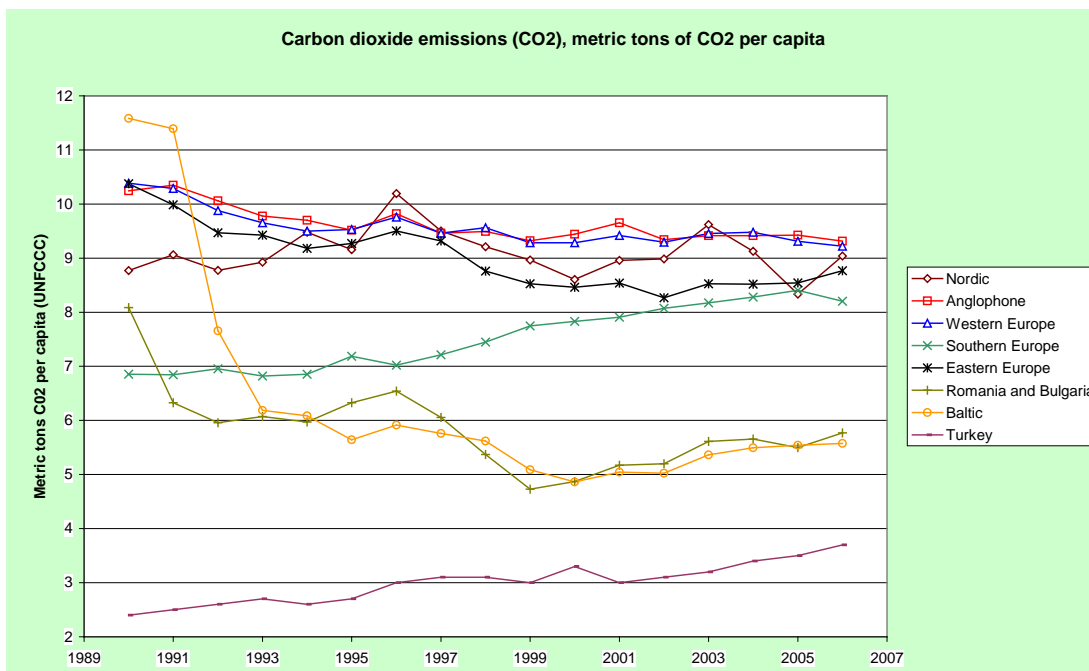
Further investigation into the association between these different variables would clearly be interesting. How far are they correlated with each other across countries, and across individuals within countries? Are they causally related – do people feel they have more or less influence in the political arena *because of* the extent to which they control their working lives? Or are they all different indicators of a single thing – the extent to which a society is truly democratic. These questions lie beyond the scope of this paper, but what does emerge from this brief analysis is that there are substantial disparities across even western European

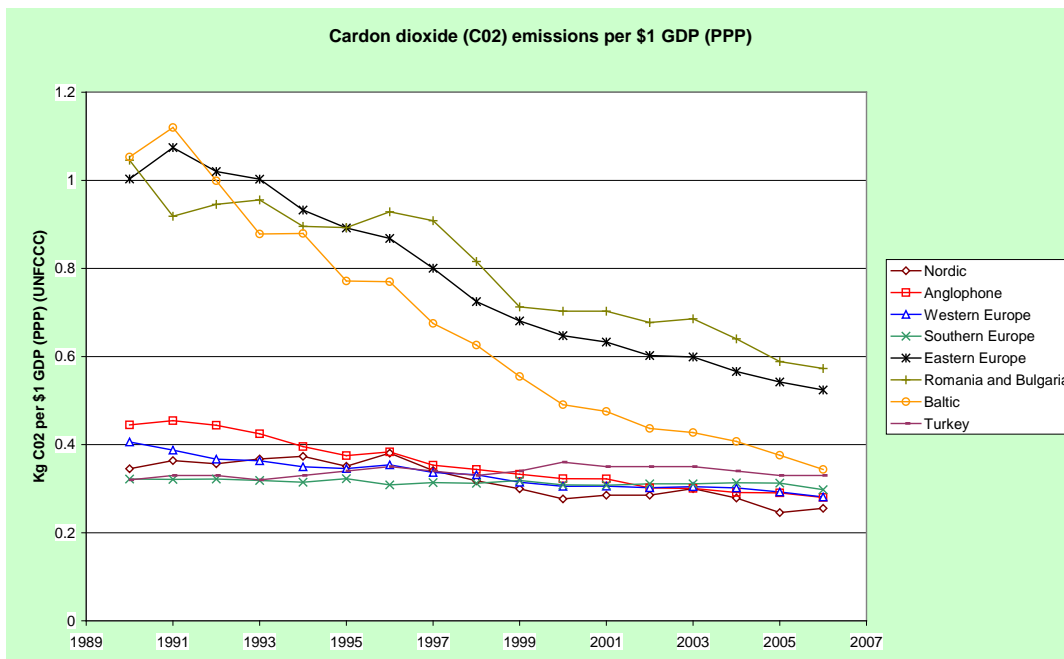
countries in the extent to which agency and empowerment are realised in practice, alongside worrying signs that some measures of agency may be moving in the wrong direction.

## 7. Beyond the core: Environmental sustainability

This paper would not be complete without mentioning the largest challenge facing human development in the early twenty-first century: climate change, and the urgent need to limit emissions of carbon dioxide. Figure 7.1 shows levels of CO<sub>2</sub> per capita and per \$ GDP. The collapse of industrial output in the early 1990s shows up clearly for Eastern Europe and the Baltics, with CO<sub>2</sub> emissions falling sharply on both measures. The Eastern European countries were still the worst polluters for their GDP levels by 2006, but lower GDP meant that Romania, Bulgaria and the Baltics were producing far lower emissions per head than anywhere else in the region except Turkey, although (like Turkey and also Southern Europe) with an upward trend. In other parts of Europe, emissions were on a slow downward trend during the 1990s.

**Figure 7.1 Carbon emissions in Europe since 1990**





Source: Carbon data from <http://mdgs.un.org/unsd/mdg/Data.aspx> as provided using the UN Framework Convention for Climate Changes figures.

Note: Data for Malta, Cyprus and Luxembourg missing throughout.

Despite slow progress in emissions reductions to date, Europe can be argued to be leading the world in the fight against climate change. In the run-up to the Copenhagen Climate Summit in December 2009 the European Union promised to reduce emissions by 30% by 2020 and by 95% by 2050 if other world powers agreed to similar action; they did not, and the eventual pledge was phrased a little more vaguely, as an “expression of willingness”. European leaders also pledged 7.2 billion Euro to help developing countries adjust to new climate conditions. The European Emissions Trading Scheme is the first carbon trading scheme in the world, and Ellerman et al (2010) estimates that it reduced emissions by 300 million tonnes in its first three years. However, others have criticised it for setting caps too high, with the recession resulting in a collapse of carbon prices as big firms have been left with more allowances than they need (UK Environmental Audit Committee, 2010). Prices in February 2010 were around 15 Euro a tonne, with some claiming the price would need to be upwards of 100 Euro a tonne to make a real impact and generate funds for sufficient investment in renewable energy (ibid). According to an EU agreement from 2007, 20% of Europe’s energy is to be produced from renewable sources by 2020, with Germany leading the way.

## 8. Conclusions

This paper had an ambitious aim – to summarise trends in human development in Europe over the last two decades. Inevitably, much of the discussion has been too brief and too superficial: each of the areas covered has spawned a wealth of literature. These concluding paragraphs seek to draw out some of the key messages that have emerged, and to highlight some of the challenges that Europe faces in 2010.

To begin with, we should reiterate the paper's starting point: Europeans enjoy some of the highest living standards in the world, and have experienced steady improvements in average levels of income, health and education. However, the paper pointed to two broad areas of concern – inequality and empowerment.

There are several dimensions to concern about inequality. First, we found that levels of both relative poverty and overall income inequality were on the rise across most of the region, including the Scandinavian countries, which have long experienced the lowest levels of poverty and inequality in the world. Second, we found evidence of significant inequalities between social groups. Gender gaps in pay appear to be narrowing, but poverty rates are generally higher for women, especially in Bulgaria, Romania and the Baltics. Across the region migrants have lower employment and higher poverty rates than non-migrants, especially if they are from developing countries, with immigrants to some of the countries thought of as the most inclusive (Scandinavia and the Netherlands) facing the largest penalties. Data for the UK indicate substantial narrowing of disparities in educational attainment for most ethnic groups (an area of particular policy focus in that country in the past decade), but discrimination in the labour market continues. And Roma, Gypsy and Traveller groups stand out in every country for which there are data as experiencing discrimination and severe marginalisation, with dramatically worse indicators of health, educational attainment and well-being.

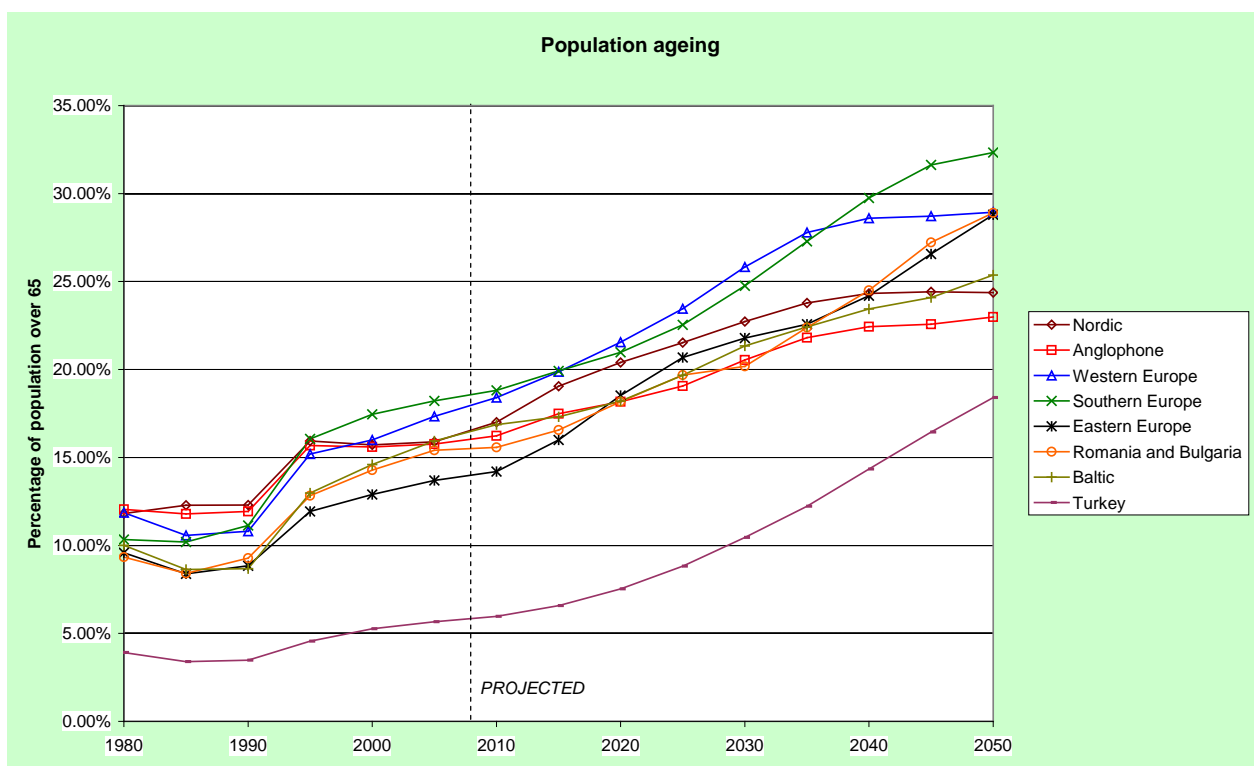
Social class inequalities in health also appear to be widening across the region, although much of the data is a little outdated, and the gap in many cases reflects improvements in health for all, but faster improvement for higher social classes.

The second area of concern is political engagement and agency. Voting turnout rates have fallen across much of Europe over the past decades, with particularly disappointing drops in

Eastern Europe since the transition to democracy in the early 1990s, and with evidence that participation is substantially lower among the young. Figures on interest and understanding of politics support the perception of the disengagement of a majority of the population in most European countries. Scandinavia, Switzerland and the Netherlands do better on these measures, as also on measures of generalised social trust and of agency and empowerment in the workplace. Further work to explore the links between these indicators would be interesting, but they suggest that a few countries in Europe are much more successfully furthering this side of human development than are the majority.

These two broad areas pose big challenges for Europe over the next two decades. Three further challenges can be added to the list. First, the economic crisis threatens much higher levels of unemployment and absolute poverty over the coming years, with potentially long-term scarring effects, particularly for children and young people. Budget cuts to cut government deficits are also likely to hit many of the areas needed to reduce horizontal inequalities, from benefits to investment in education.

**Figure 8.1 An aging population: The percentage of the population over 65**



Source: United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects: The 2008 Revision, New York, 2009. Available at <http://data.un.org/>



Second, all European countries, as other industrialised societies, are facing an aging population, as illustrated in Figure 8.1. This will put growing pressure on key elements of social spending, especially health and social care, as well as state pensions, with corresponding implications for other spending areas and/or for taxes.

Third, and most urgent, is the challenge of climate change. As argued briefly in Section 7, European countries can be seen as leading the world in developing green technologies, reducing emissions and providing support for developing countries as they adapt to new conditions – but in all these areas action to date falls a long way short of what is needed. Whether the region can make the required additional steps, and can take the rest of the world with it, will be the greatest test of the state of human development in Europe.

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