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CONTENTS

Working Group 1 - Economic and financial crises and new forms of poverty	5
1. Estimating the social impact of recession	6
2. New social risks in the economic crisis	10
3. Social protection responses to recession in the European Union	13
4. The EU strategy to fight poverty and social exclusion	16
5. Questions for debate	18
Annex - List of European Parliament resolutions	19
Working Group 2 - The impact of the economic and financial crisis on migration and social integration	20
1. Immigration in the European Union: facts and figures	21
2. Issues at stake and challenges	24
2.1. Low-Skills Sectors	24
2.2. Vulnerable Groups	25
2.3. Specific Obstacles	26
3. EU Legislation	29
4. The European Parliament	32
References	34
Questions for debate	36
Annex : Recent EP resolutions	37

Working Group 3 - Challenges for a Model of European Society: Towards a sustainable and inclusive growth model **38**

1. Growth and sustainable development in Europe **39**

- 1.1. European economy 39
- 1.2. Environmental challenges 40
- 1.3. Digital divide 42

2. A Green and Digital New Deal for Europe? **43**

- 2.1. Green investment - one solution for two crises? 43
- 2.2. The Economics of a Green Global Recovery 44
- 2.3. Green Jobs for a more sustainable and inclusive society 46
- 2.4. ICT for a more sustainable and inclusive society 48

3. Questions for debate **50**

WORKING GROUP 1 - ECONOMIC AND FINANCIAL CRISES AND NEW FORMS OF POVERTY

Abstract

This briefing note provides an overview of estimations on the likely social impact of the financial and economic crisis and its expected effects on at-risk-of-poverty rates in the European Union. With unemployment back to two-digit levels, it is realistic to infer that many European households might have been hit by the repercussions of the downturn and might suffer from some economic vulnerability. Under these conditions, the effectiveness of social protection systems is being tested. Available research highlights that in many cases the welfare systems in EU Member States may not be able to offer adequate protection to large groups of especially fragile persons, as new social risks deriving from recent labour market and societal developments are not yet covered by means of suitable measures. EU cooperation in the field of fighting poverty and social exclusion could offer key inputs for the modernisation of social protection systems.

1. Estimating the social impact of recession

Although the European Union (EU) is one of the world regions with the highest GDP levels and average per-capita income, poverty and social exclusion have not just appeared within its borders as a consequence of the current recession: on the contrary, these phenomena are, to a different extent in the various EU Member States (MS), a long-known feature of our societies.

In 2000 the European leaders had committed themselves to "making a decisive impact on the eradication of poverty by 2010" in the framework of the Lisbon Strategy, but even before the outbreak of the financial and economic crisis it was apparent that not only had such objective not been achieved, but the trend for the period 2000-2008 shows slight, although steady, reductions in absolute poverty (a situation in which individuals lack basic means for survival, such as access to nutrition or shelter) and even some worrying increase in relative poverty (the number of people whose income is below what is estimated to be the poverty threshold compared to the general living standard in a country or region).

The report "Growing Unequal? Income Distribution and Poverty in OECD Countries" published by the Organisation for Economic Co-operation and Development (OECD) in 2008, showed that the gap between rich and poor and the number of people below the poverty line had both been growing over the previous two decades. The increase was widespread, affecting three-quarters of OECD countries. The scale of the change was moderate, but significant. At the EU level, inequality in access to basic rights and services is made tangible through the persistence of huge differences in life expectancy and health conditions between and within the EU Member States¹.

The economic downturn has brought unemployment in the EU back to the levels prior to 2001. Data on GDP evolution and unemployment rates, corroborated by evidence of declining economic activity and growing social uneasiness, as well as surveys reporting on a mounting feeling of insecurity and frustration among European citizens (such as Eurobarometer), are only indirect means to gain some knowledge of the current and likely future social impact of recession.

In fact, although the perception of expanding poverty due to the downturn is clear, comprehensive data on the social repercussions of the current financial and economic crisis in the European Union are not available yet and, therefore, the picture we can draw is largely incomplete at this stage and based on pure estimations. In addition, it is clear that the situation is highly dynamic and the social consequences of recession are still deploying.

The most recent available data on the living conditions of the European population and on poverty date back to 2008 (2009 data have been published for a limited number of MS). Based on the definition of persons at-risk-of-poverty adopted at EU level for statistical needs (people with income lower than 60% of the national median income), in 2008 the total number of EU citizens exposed to the risk of poverty after social transfers was estimated at 85 million people (16,5% of the population), a figure not far from previous years and, even more worryingly, including new groups once relieved from such danger.

20% of children were at-risk-of poverty in the EU in 2008. One European in ten lived in a household where nobody worked². Contrary to the assumption that having a job is the most effective way to secure oneself against the risk of poverty, a significant minority of the employed population of the EU, around 8%, lived in a household whose income was situated below the national poverty line.

This overall picture conceals very different national situations. In 2008, at-risk-of poverty rates ranged from 9% to 26% in individual Member States.

¹ European Commission, Together for Health, a strategic approach for the EU 2008-2013, COM(2007) 630.

² Eurostat, Statistics in focus, 9/2010.

At one extreme, the Member States with the highest poverty rates were Latvia (26%), Romania (23%), Bulgaria (21%), Lithuania, Greece and Spain (all around 20%), while the share of the population at risk of poverty was about 9% in the Czech Republic, 10% in Iceland, and 11% in the Netherlands, Slovakia and Norway.

Indicators of material deprivation and households with low work intensity are also measured in the EU and, together with at-risk-of-poverty rates, are used to capture the overall number of people affected by poverty and/or social exclusion.

Table 1 - Population at-risk-of-poverty or exclusion; Percentage of total population (2008)

	Population at-risk-of-poverty	Population at-risk-of-poverty or exclusion
European Union (27 countries)	16,5	23,6
Belgium	14,7	20,8
Bulgaria	21,4	44,8
Czech Republic	9	15,3
Denmark	11,8	16,3
Germany	15,2	20,1
Estonia	19,5	21,8
Ireland	15,5	23,7
Greece	20,1	28,1
Spain	19,6	22,9
France	12,7	18,6
Italy	18,7	25,3
Cyprus	16,2	22,2
Latvia	25,6	33,8
Lithuania	20	29,3
Luxembourg	13,4	15,5
Hungary	12,4	28,2
Malta	14,6	19,5
Netherlands	10,5	14,9
Austria	12,4	18,6
Poland	16,9	30,5
Portugal	18,5	26
Romania	23,4	44,2
Slovenia	12,3	18,5
Slovakia	10,9	20,6
Finland	13,6	17,4
Sweden	12,2	14,9
United Kingdom	18,8	23,2

Source of Data: Eurostat

Unemployment (and underemployment) is clearly the most tangible and most easily measurable social effect of the economic downturn. At the current stage, it is mainly by trying to analyse the changes in the employment situation that one can try to seize the likely impact of recession on European households' purchasing power and living conditions.

Unemployment has been rising in the European Union (EU) since March 2008 as a result of the global economic crisis. According to the Employment in Europe 2009 report, the current crisis would even have reversed most of the employment growth achieved since 2000³. The increase was felt in every Member State, although its severity varied between countries and groups of workers.

Unemployment had risen very quickly (from 7,4% in November 2008 to 9,2% in September 2009⁴) and further deterioration of the labour market situation was recorded even after the first signs of recovery had appeared.

France, Hungary, Ireland, Latvia, Portugal, Slovakia and Spain experienced two-digit unemployment rates and the levels attained were particularly high in Latvia and Spain, with 22.3% and 19.3% respectively.

Eurostat estimates that around 23 million men and women were unemployed in the EU in August 2010, around 7 million more compared to the lowest level reported in 2008.

Although at very slow pace, growth now seems to have come back and, according to the latest available data, the labour market in the EU is finally showing signs of stabilisation.

However, it can be expected that employment will not rebound at the same pace as GDP growth. Economic theory predicts that production and employment evolve differently, with a time-lag of about 6 to 9 months. Consequently, it is normal for unemployment rates to stay on a high level despite positive GDP growth rates in the aftermath of the crisis, with the most likely accompanying consequence of an additional increase of at-risk-of-poverty rates. The reasons for the time lag are various, but the main explanation for it is the existence of underutilised human resources during a period of recession. A reasonable expectation therefore is that significant improvements in unemployment figures may appear only gradually in 2011-2012, once economic and financial stability returns more robustly.

Growing budgetary tensions in the EU might soon force several Member States to adopt severe fiscal tightening strategies, with governments withdrawing their financial support from the labour market, which may increase the problem of unemployment in the next months, unless the economic rebound will be strong enough to foil this likely negative shock. Such fiscal tightening may also have a direct effect on resources allocated to social policy and to strategies aimed at fighting poverty and social exclusion.

The loss of income generated by unemployment is by large the most direct mechanism through which poverty is produced, however, it cannot be considered on its own a determinant of poverty. According to a recent analysis⁵, new empirical research would be needed to shed light on the specific social consequences of the current unemployment situation. However, previous studies exist, which can provide a useful body of knowledge still largely valid, although circumstances have changed in certain respects. Available research indicates that, in comparison with people at work, the unemployed do tend to run larger risks of being poor and experiencing financial hardship, but this likely negative effect can be efficiently cushioned by economic aid provided through unemployment insurance or other kinds of support.

The mechanisms through which the latest economic developments are likely to have impacted on the income stability and purchasing power of large parts of the European households need be explained through a careful and comprehensive analysis.

A recent report by the EU-funded Social Situation Observatory⁶ uses a combination of several data sources to investigate changes in the distribution of income generated by the crisis and to identify the most affected social groups and households.

³ Employment in Europe 2009 report, European Commission, 2009.

⁴ Eurostat, Harmonised unemployment rate by gender

⁵ Furåker B., On the social consequences of unemployment, European Parliament, 2010

⁶ The potential effects of the recession on the risk of poverty, Social Situation Observatory, November 2010.

Despite limitations and while underlying that the analysis is almost certainly underestimating the effects of wage reductions due, for example, to short-time working arrangements, the report indicates clearly that the recession is likely to have had a significant effect on the relative number of people at risk of poverty in several countries, especially those where it has had the largest effects on employment; it therefore invites EU member States to carefully take into consideration the policy implications of such analysis when determining the restrictive measures to introduce with a view to reducing budget deficits.

2. New social risks in the economic crisis

Up to recent times, it was an undisputed assumption that being in gainful employment was the securest way to escape poverty and social exclusion. Not only work guaranteed income allowing for the satisfaction of basic household needs, including some savings on which future family projects could be built, but it also incorporated protection against events undermining, temporarily or permanently, the ability to perform a professional activity (illness, unemployment, maternity, old age, etc., i.e. the typical "social risks").

Family was the other complementary, basic form of protection against social risks, as it covered other sorts of human needs such as the availability of care for the most vulnerable members of households, such as children and the elderly.

Poverty was therefore considered by large sectors of the public opinion as a limited phenomenon going hand in hand with a life at the margins of society.

In the last few decades, new social risks have emerged at the conjunction of job insecurity, increasing fragility of family support and the absence of adequate social protection.

Globalisation, rapid technological change and increased competition through globalisation have fundamentally changed European labour markets. New types of contractual arrangements outside of permanent, full-time work have become increasingly common across the EU: the standard of the open-ended full-time employment contract is being replaced by a growing number of fixed-term and part-time contracts, as well as by agency work and self-employment.

As a consequence, jobs and careers in which work is insecure and temporary have largely spread throughout the EU Member States. With precariousness as a common feature of most newly-created job openings, being in paid employment is not anymore a guarantee against the risk of poverty.

Linked to this, the phenomenon of the "working poor" has been gaining recognition in the last few years, although, according to a recent report⁷ issued by the European Working Conditions Observatory of the European Foundation for the Improvement of Living and Working Conditions, in most EU countries this issue is not a policy priority of either the government or the social partners. Although there is little evidence to prove it to date, this analysis predicts that the working poor are likely to have been particularly affected by the current economic recession. In-work poverty is linked to low pay, low skills, precarious and often part-time employment, but also to the characteristics of the household in which the individual lives, in terms of the number of dependants and the work intensity of the household⁸.

Changes in family patterns, with a shift from the "male breadwinner" to the "dual breadwinner" model and a growing number of one-person and lone-parents households, with new roles for women in relation to paid work and new needs for child and elder care, have also deeply undermined what was considered to be the second, complementary pillar of social stability.

⁷ Working poor in Europe, European Foundation for the Improvement of Living and Working Conditions, 2010.

⁸ European Commission Staff Working Document: "Supporting document of the Joint Report on social protection and social inclusion 2007".

By comparing the poverty risk in the EU for different age groups and family structures, literature and data show that one-person households and those with dependent children tend to have higher poverty risks, with the highest poverty rate affecting single parents with one dependent child; in almost all MS the poverty risk for children is higher than that for the working-age population; half of the MS have a high child poverty risk and an equal proportion of the MS have high elderly poverty risk, affecting in particular women over 75, with large national variations⁹.

In the course of a few decades, the foundations on which post-war European societies rested have progressively lost their capacity to provide for the well-being and security of many citizens. Those most threatened by this development are both citizens in the extreme age groups (children and elderly) and the middle class. It is a process which has been defined in literature as a progressive erosion of intermediate positions¹⁰.

Families experiencing some income instability, financial fragility or temporary poverty at one or more stages can be estimated to represent a total of 20-25% of the population of Western European countries¹¹.

In such a situation, the threat of being exposed to financial and economic vulnerability may originate from any normal occurrence in life which, through a combination of other factors and/or special circumstances, can turn into real hardship and mark a shift into poverty: any reduction in income, such as those which were agreed upon in many workplaces in order to avoid redundancies, might have had enormous repercussions on the everyday life of the families concerned.

An additional problem consists in the diffusion of housing deprivation related to difficulties in affording the cost of adequate housing, exposing many people to instability and financial strain. A large proportion of the European population owns the house where they live, but, due to tensions on the housing market and increased housing costs, access to a dwelling has now become much more difficult for some segments of the population. This phenomenon contributes not only to lowering the living standards of families, but it has also the effect of depressing expectations for the future.

With 7 million more unemployed than at the outset of the crisis, income has dropped for many households, exposing them to poverty and over-indebtedness and increased housing difficulties, including, in some cases, being forced to sell their houses.

The segmentation of the labour markets has shown clearly in the different extent to which workers have been and are being exposed to the risk of losing their jobs during the current economic crisis. Unemployment has first hit the "periphery" of temporary workers and has only afterwards reached the core of permanent workers. Migrants, younger and older workers, especially women, were those most affected¹².

Young people entering employment face increasing difficulties and their situation poses high concern, as they cumulate the fragility arising from a lack of job opportunities with those typical of the transition to adulthood. Youth unemployment rates, already higher than for other age groups, have exploded in the EU since the outbreak of the crisis and, according to OECD estimates, are likely to stay at the same high double digit level in many European countries to the end of 2011.¹³

⁹ Crepaldi, C. et al., *The role of minimum income for social inclusion in the European Union*, European Parliament, 2007.

¹⁰ Castel R., *Les métamorphoses de la question sociale. Une chronique du salariat*, Paris, 1995.

¹¹ Ranci, C., *Social Vulnerability in Europe: The New Configuration of Social Risks*, 2010.

¹² Eichhorst W., et al., *The role of the social protection as economic stabiliser: lessons from the current crisis*, European Parliament, 2010.

¹³ *Rising youth unemployment during the crisis: how to prevent negative long term consequences on a generation?*, OECD social, employment and migration papers, No 106, April 2010.

This could create serious consequences for both the current generation of labour market entrants, who may experience long-term unemployment at the very start of their professional life, thus undermining subsequent career and earnings prospects, and for future young job seekers, who may also have to delay entry into the labour market: the definition of new "lost generation" has been applied to this group.

When society and families do not offer sufficient resources to support their younger members in these difficult times, the risk of poverty might turn into reality for them.

More than ever, amidst the crisis poverty has a woman's face. In general, women have higher at-risk-of-poverty rates than men, which equalled an average of 15% for women aged 16–64 in the EU-25 in 2005 as opposed to 14 % for men¹⁴. The gender pay gap still appears to be a phenomenon common to most EU Member States: on average in the EU, women earn around 17.6% less than men.

In addition, women tend to be concentrated in lower-paid sectors of the economy, with a large presence of part-time, temporary and informal employment benefitting from limited social insurance coverage. Decreased earnings from female work might have especially serious consequences for lower income families or lone parent households; in the next future, women's capacity to stay in employment might be increasingly affected by planned budget reduction for social policies and increased costs for child and elderly care. The European Parliament has openly called for the incorporation of gender considerations in policy responses to the financial and economic crisis¹⁵.

Due to their weak position on the labour market and, in many cases, their lack of support from social networks, the impact of the recession will be particularly severe for many migrant workers. In addition, such workers will cumulate the disadvantage of being non-national with those of the demographic group they belong to, such as women and youth.

Older workers who have become unemployed risk being expelled from the labour market forever and, in some cases, being forced to early retirement, with a double threat to their living conditions coming from a reduction in current earnings as well as a more than likely negative impact on the amount of their future pensions.

One of the difficulties in identifying appropriate social protection responses to "new" social risks is that, unlike "old" ones, they are not exclusively related to the dimension of being in or out of gainful employment, but they reflect much more complex situations: welfare systems should not only improve the effectiveness and efficiency of their traditional pillars such as health-care services, social security and social assistance, but they are also being increasingly required to offer comprehensive responses to comply with such new, demanding tasks.

¹⁴ Eurostat, *The life of women and men in Europe*, 2008.

¹⁵ European Parliament resolution of 17 June 2010 on gender aspects of the economic downturn and financial crisis

3. Social protection responses to recession in the European Union

All European countries have developed comprehensive welfare systems aimed at protecting vulnerable individuals and families from economic deprivation, fostering equal participation in society for all and enhancing social cohesion. However, social protection systems have been designed around the social risks which had been identified at a specific point in history and, for several reasons, policy-makers and the public opinion in MS have in most cases shown reluctant or incapable to reform them in depth.

Indeed, these sets of benefits and services need to evolve as an integral part of the social context they belong to in order to respond effectively to the new needs brought about by economic, demographic and societal developments.

Although general living conditions have improved considerably in the last decades, it is undeniable that social protection systems have failed to grant equal opportunities for all. European citizens have not been entitled to a uniform level of protection from the social repercussions of the economic downturn.

In view of the large groups of European citizens who were exposed to the effects of recession with little or no support, the effectiveness, as well as the inclusiveness, of existing welfare systems could be questioned.

The main lessons we can learn from the recent crisis seem to confirm that social protection can be key for both cushioning the social impact of a recession and stabilising the overall demand for goods and services¹⁶. As it is foreseen that cyclical moves will become more frequent and more pronounced, this experience should not be underestimated.

The effectiveness of a social protection system can be illustrated by the extent to which it succeeds in reducing the risk of poverty of the population living in the country. Even in this respect, the situation in the European Union is highly differentiated, with cases where the poverty reduction effect of social transfers reaches 50% or more, thus halving the poverty risk of the population, whereas in other MS this index is limited to 20%¹⁷.

These observations suggest that a reflection be initiated on the tools employment and social policies should have at their disposal to guarantee inclusive societies, avoid segmentation on the labour markets and the spreading of inequality at times when people can be especially vulnerable.

At the outset of the crisis, European leaders expressed full confidence that "building on solidarity and allowing social protection systems to fully play their role as automatic stabilisers" would "help pave the way for recovery"¹⁸. Advanced social protection systems, which are a distinctive feature of the European social model, were expected to alleviate the difficulties experienced by those most hit by the effects of the ongoing economic downturn, as well as to actively contribute to supporting economic recovery.

This idea was also stressed in the European Economic Recovery Plan¹⁹: "The implementation of active inclusion and integrated flexicurity policies, focused on activation measures, re-training and skills upgrading, are essential to promote employability ensure rapid re-integration into the labour market of workers who have been made redundant and avoid long term unemployment. Within this context, adequate social protection that provides incentives to work whilst preserving purchasing power will also be important."

¹⁶ Eichhorst W., et al., The role of the social protection as economic stabiliser: lessons from the current crisis, European Parliament, 2010.

¹⁷ Crepaldi, C. et al., The role of minimum income for social inclusion in the European Union, European Parliament, 2007.

¹⁸ European Council Spring 2009, Presidency Conclusions.

¹⁹ Communication from the Commission to the European Council - A European Economic Recovery Plan, COM(2008) 800 final

In addition, all EU Member States have adopted extra-ordinary measures to limit the social consequences of the crisis and mitigate their impact: fiscal stimulus packages were budgeted and employment support schemes were put in place to avoid massive redundancies. The first phase of ad-hoc anti-crisis interventions was characterised by a number of reforms strengthening the standard unemployment insurance benefit system in place, in particular by easing access or improving benefit generosity for atypical workers who had been made redundant.

Several countries have also expanded public measures encouraging working-time flexibility, in particular short-time work schemes, to prevent dismissals. The OECD Employment Outlook 2010 estimates suggest that short-time programmes alone have preserved more than 200,000 jobs in Germany and about 120,000 in Italy. These schemes, however, do not help temporary or atypical workers.

Furthermore, active labour market policies (ALMP) aimed at improving the employability of job-seekers were reinforced and efforts to train both employed and unemployed workers and to intensify job search assistance were also deployed. These measures have a more equitable set-up than short-time arrangements and they have proved effective in the medium and long term, but their suitability to help in a recession, when job openings are rare, can be questioned based on evidence provided by recent experiences.

Workers on fixed-term contracts or with a short employment record, labour market entrants, employees with low monthly earnings due to low hourly pay or part-time work and the self-employed normally also have limited or no access to substantial insurance benefits.

Unemployment has proved to be likely to turn into a long-lasting situation when the economy goes through crises as deep as the present one. Unemployment benefits, on the contrary, have normally a limited duration and they cannot relieve people from the risk of poverty on the longer term.

Moreover, unemployment insurance is often linked to past contribution paid by the worker and, therefore, it is not always accessible to young workers, who are those who are hit hardest and will most probably bear the heaviest long-lasting consequences of the economic downturn. The exposure to unemployment risks and the "quality" of social protection provided to different socio-economic groups do not coincide, and those most affected are often the least protected²⁰.

Together with unemployment benefits, minimum income was the other social protection measure largely at play in the response to the crisis.

Most Member States have some form of minimum income scheme for people of working age, which aim to ensure a minimum standard of living for individuals and their dependants when they have no other means of financial support. These vary widely in their coverage and effectiveness.

While unemployment insurance systems are more exclusive, means-tested income support is generally available as a basic social security net in most EU Member States. Minimum income is an important measure to fight economic poverty and, where it is implemented through an integrated and strategic approach involving different policy areas, it can have a positive impact on reducing social exclusion²¹. The underlying logic of minimum income schemes is to develop an integrated approach taking into consideration all the relevant dimensions at stake. In the countries where this type of approach has been introduced, social expenditure appears as distinctively effective in reducing poverty, and unemployment has been consistently reduced.

²⁰ Eichhorst W., et al., The role of the social protection as economic stabiliser: lessons from the current crisis, European Parliament, 2010.

²¹ Crepaldi, C. et al., The role of minimum income for social inclusion in the European Union, European Parliament, 2007.

Income support alone undoubtedly provides relief, but does not in itself help individuals and families durably elude poverty. To be effective in combating poverty and social exclusion, social transfers must be accompanied by adequate health care, education, housing, social services and measures facilitating integration into the labour market whenever possible.

If, on the one hand, higher employment rates and longer professional lives appear to be a pre-condition for ensuring the long-term sustainability of welfare systems, on the other side a strategy aimed at supporting the productivity and competitiveness of the European economy through flexible and inclusive labour markets will have to be accompanied by a suitable social security net based on modernised benefits schemes, as well as by improved care services for dependent family members to help individuals and households better balance work and personal life.

4. The EU strategy to fight poverty and social exclusion

With the entry into force of the Amsterdam Treaty in 1999, proper social protection and combating of exclusion were officially recognised among the common objectives of the European Union and the Member States (Article 151 of the Treaty on the Functioning of the European Union, TFEU).

Article 153 of the TFEU awards the EU the competence to support and complement the activities of the Member States, who remain however primarily responsible for achieving these common goals, in a number of fields including social security and social protection of workers (c), the integration of persons excluded from the labour market (h), the combating of social exclusion (j) and the modernisation of social protection systems (k). Article 153 also provides for the possibility to adopt directives establishing minimum requirements in most of the sectors covered, with the exception of the fight against social exclusion (j) and the modernisation of social protection systems (k).

Since 2000, based on a decision by the Heads of State and Government to enhance common efforts to fight poverty and to modernise social protection as part of the Lisbon strategy, the European Union and the Member States have been cooperating through the open method of coordination in the areas of health and long-term care, pensions and social inclusion (OMC on social protection and social inclusion, or "social OMC").

The OMC process is based on general common objectives, national reports and joint EU reports drafted by the Council and the Commission, with the financial support of the EU-funded programme "Progress"; unlike the cooperation mechanism designed in the employment sector, no quantitative targets had been set and no clear common guidelines existed. As a whole, the results achieved through this process are generally considered as insufficient by most stakeholders.

The EU2020 strategy includes for the first time a quantified target on the reduction of poverty and social exclusion, as the objective of lifting 20 million people out of the risk of poverty has been declared. In addition, one of the seven flagship initiatives guiding EU and MS action within the EU2020 strategy will specifically address this issue (European Platform against Poverty)²².

New ways for ensuring the balance between the sustainability and adequacy of social protection expenditure and the coverage of social risks will have to be identified urgently to safeguard the core of the European social models. Experts have underlined that, much more than in the case of "typical social risks" and the traditional social protection systems which have been developed at the national level to face them, the European Union might be in the position of taking a leading role in promoting debate between the MS on the most appropriate social protection measures aimed at responding to new social risks²³.

In November 2008, following a commitment to further formalising convergence of views on the subjects that are part of the social OMC through non-binding legal instruments, the European Commission adopted a "Recommendation on the active inclusion of people excluded from the labour market", updating Council Recommendation 92/441/EEC on "Common criteria concerning sufficient resources and social assistance in social protection systems", which sets some basic principles and guidelines to be implemented in the fight against poverty and social exclusion.

In its 2008 Recommendation, the Commission proposes that the Member States should "design and implement an integrated comprehensive strategy for the active inclusion of people excluded from the labour market" based on the three strands of "adequate income support, inclusive labour markets and access to quality services".

²² At the time of finalising this note, no details on this initiative were available.

²³ Taylor-Gooby, P., New risks and social change, in New risks, new welfare. The Transformation of the European Welfare State, 2004

The Commission also stresses that “active inclusion policies should facilitate the integration into sustainable, quality employment of those who can work and provide resources which are sufficient to live in dignity, together with support for social participation, for those who cannot”²⁴.

The Joint Report on social protection and social inclusion 2010 stresses that “renewed attention should be paid to old and new forms of poverty and exclusion, in ageing and rapidly changing societies, opened to globalisation and population flows”. Consistently, the Integrated Guideline 10 of the Europe 2020 Strategy (Promoting social inclusion and combating poverty) claims that “Social protection systems, including pensions and access to healthcare, should be modernised and fully deployed to ensure adequate income support and services” and “Benefit systems should focus on ensuring income security during transitions and reducing poverty, in particular among groups most at risk from social exclusion, such as one-parent families, minorities, including the Roma, people with disabilities, children and young people, elderly women and men, legal migrants and the homeless”²⁵.

The Reports on social reality stocktaking²⁶ and on promoting social inclusion and combating poverty, including child poverty, in the EU²⁷ stress the role of quality employment in preventing poverty and social exclusion. They underline however that in-work poverty is not unknown in European societies and that this equation is not valid for the most disadvantaged groups, who need targeted additional measures. The European Parliament takes the view that minimum income and minimum wages set at decent level are effective tools to protect people from deprivation and marginalisation and invited the Member States to exchange experiences on this subject with the support of the European Commission. For each individual to be given the opportunity to participate fully in society, access to goods and services, as well as to employment, should be guaranteed to all, without any form of discrimination.

While basically sharing this common approach, the Report on Active Inclusion of People excluded from the labour market²⁸ recalls that integration into the labour market is only one of the measures necessary to protect the rights of the most disadvantaged groups, whose needs are often multifaceted.

The main message the European Parliament aimed to convey through its debate on the Commission's proposal on a Renewed social agenda²⁹ in the context of the economic crisis was a firm EU commitment to preserve European social models and a strong social Europe; Parliament criticised the Agenda as insufficiently coherent to impact on the current levels of poverty and exclusion and claimed that it would not be the right time to reduce social expenditure. MEPs have called on the Commission to develop an ambitious Social Policy Agenda for the period 2010-2015.

The European Parliament has long been supporting minimum income schemes as “an important tool in order to ensure security for people needing to overcome the consequences of social exclusion and unemployment and support access to the labour market”, and has also recently stressed that “especially in times of crisis, they play a counter-cyclical role by providing additional resources to strengthen demand and consumption in the internal market”³⁰.

²⁴ Frazer, H. and Marlier, E., Minimum Income Schemes Across EU Member States, EU Network of National Independent Experts on Social Inclusion, 2010

²⁵ Council Decision of 21 October 2010 on guidelines for the employment policies of the Member States

²⁶ European Parliament resolution of 15 November 2007 on social reality stocktaking

²⁷ European Parliament resolution of 9 October 2008 on promoting social inclusion and combating poverty, including child poverty, in the EU

²⁸ European Parliament resolution of 6 May 2009 on the active inclusion of people excluded from the labour market

²⁹ European Parliament resolution of 6 May 2009 on the Renewed social agenda

³⁰ European Parliament resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe

5. Questions for debate

The financial and economic crisis has hit large parts of the EU population: do European citizens feel more threatened than before by downward economic cycles?

In the absence of objective data on the social impact of the crisis on the living conditions of households, what perceptions have prevailed in the public opinion in the EU? Do European citizens think that the crisis was correctly portrayed by media and policy-makers' official discourse?

Due to the current recession, poverty (or the threat it represents) has unfortunately become familiar to many Europeans: has society as a whole gained awareness of the difficulties of people affected? Has this issue come higher on the political agenda at national and/or EU level? Has the EY2010 played any role in this respect?

The voice of the poor is hardly heard when discussing strategies to fight poverty and social exclusion: how could they be involved in the set up and implementation of a European Platform against Poverty?

The crisis has demonstrated that the EU and the Member States do not possess a statistical tool for monitoring the trend of poverty and social exclusion so as to provide timely information to support decision-making: should it be a priority to develop such a tool?

Do citizens in the EU Member States consider that they are adequately protected from the risk of poverty?

Are European citizens more aware of EU efforts to fight poverty and social exclusion following the EY2010?

What role citizens expect the EU to play in the fight against poverty and social exclusion?

The crisis has severe human repercussions: could the EU and the Member States have reacted differently or more efficiently? Will the EU, in the framework of EU2020, manage to avoid similar crises in the future or, in case, soften their social impact? What can make EU2020 more effective than its predecessor?

Responsible administrator:

Maira Andreanelli, Policy Department A - Economic and Scientific Policy

ANNEX - List of European Parliament resolutions

- European Parliament resolution of 23 May 2007 on promoting decent work for all
- European Parliament resolution of 15 November 2007 on social reality stocktaking
- European Parliament legislative resolution of 17 June 2008 on the proposal for a decision of the European Parliament and of the Council on the European Year for Combating Poverty and Social Exclusion (2010)
- European Parliament resolution of 9 October 2008 on promoting social inclusion and combating poverty, including child poverty, in the EU
- European Parliament resolution of 6 May 2009 on the active inclusion of people excluded from the labour market
- European Parliament resolution of 6 May 2009 on the Renewed social agenda
- European Parliament resolution of 10 March 2010 on EU 2020
- European Parliament resolution of 11 March 2009 on a European Economic Recovery Plan
- European Parliament resolution of 18 May 2010 on 'An EU Strategy for Youth – Investing and Empowering'
- European Parliament resolution of 17 June 2010 on gender aspects of the economic downturn and financial crisis
- European Parliament resolution of 6 July 2010 on promoting youth access to the labour market, strengthening trainee, internship and apprenticeship status
- European Parliament resolution of 7 September 2010 on developing the job potential of a new sustainable economy
- European Parliament legislative resolution of 8 September 2010 on the proposal for a Council decision on guidelines for the employment policies of the Member States: Part II of the Europe 2020 Integrated Guidelines
- European Parliament resolution of 20 October 2010 on the financial, economic and social crisis: recommendations concerning measures and initiatives to be taken (mid-term report)
- European Parliament resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe

WORKING GROUP 2 - THE IMPACT OF THE ECONOMIC AND FINANCIAL CRISIS ON MIGRATION AND SOCIAL INTEGRATION

Abstract

The financial and economic crisis provoked an economic downturn and an increase in unemployment, with particularly severe consequences for international migrants.

Europe is one of the areas that was hit the hardest by the global crisis and in some countries unemployment among migrants is more than double that of the local population. Migrants are a particularly vulnerable group due to different factors: including their civil status (gender and age can be discriminatory), level of education, professional experience (unskilled workers have more difficulties than skilled ones) and their occupation in temporary jobs and sectors of the economy which are the most affected during periods of recession.

The overall impact on the crisis in terms of migration flows is still uncertain, because of the lack of data and of the time lag of the effects of the crisis. However, what is sure is that migration is considered a priority area for the EU. Amongst others, the Stockholm Programme and Europe 2020 Strategy highlighted the role of migration policy in creating more competitiveness in the EU and tackling the economic crisis.

The Parliament supports the establishment of a common European immigration policy and believes that important developments are needed in this field; both to ensure a more coherent approach between the Member States and to increase the credibility of the EU in its relations with third countries.

1. Immigration in the European Union: facts and figures

The financial and economic crisis provoked an economic downturn and an increase in unemployment; with consequences that were particularly severe for international migrants. Europe is one of the areas hit hardest by the global crisis and, according to a recent report by the Council of Europe, unemployment among migrants in some countries is more than double that of the local population: e.g. 28% compared to 15% in Spain, 18.5% compared to 9% in France and 17% compared to 8.5% in Portugal³¹.

A lack of up-to-date and available data prevents us from having a clear and definite picture of the impact the economic crisis is currently having on migration in the European Union. This section however gives elements presented in different reports and/or publications from the European Commission, the OECD and Eurostat.

The **Commission's First Annual Report on Immigration and Asylum**³² gives us the following indications:

- The economic downturn poses new challenges; although its effects on migration flows are difficult to assess.
- An impact of the economic crisis on migration flows can be seen in two-thirds of Member States; this is mainly reflected in a reduced demand for foreign workers.
- Migrants are among the hardest hit by the crisis: however, the impact differs widely depending on their economic sector (the worst hit include construction, manufacturing, tourism and financial services), education level and professional qualifications.
- Unemployment rates of non-EU citizens climbed from 13.6% in the third quarter of 2008 to 18.9% in the third quarter of 2009 - a higher increase than for nationals (6.4% to 8.4%), but similar to workers from other Member States (8.6% to 12%).
- Remittance flows to developing countries have declined from \$ 338 billion in 2008, to an estimated \$ 317 billion in 2009, according to the World Bank. EU support has focused on the hardest hit developing countries.
- The EU has responded resolutely to the effects of the crisis. Many of the overall measures such as economic stimulus packages and labour market interventions through job creation have benefited EU citizens and migrants.

The period 2005-2015 is considered by the OECD as a transition period for its member countries with regard to the demographic impact of the baby-boom on the working age population and the labour force, as outgoing cohorts of workers are expected to be larger than incoming ones. At this time of presumable tightening of the labour supply (with a likely greater recourse to labour migration), the economic crisis slowed down these movements³³. Generally both the scale of the crisis and the fact that it would affect all countries only became evident in the autumn of 2008.

The rise in unemployment followed in most countries in the 3rd quarter of 2008; though the decline in labour migration began earlier in some countries and gathered momentum over the year. The OECD finds that *"the total inflows for 2008 show some inertia, however, (this is) because some of the movements were already planned and were maintained despite the onset of the crisis"*.

³¹ P. Agramunt, Council of Europe, Committee on Migration, Refugees and Population, 'Report on The impact of the global economic crisis on migration in Europe', 9 April 2010, Doc. 12200

³² Report from the Commission to the European Parliament and the Council, 'First Annual Report on Immigration and Asylum (2009)', {SEC(2010) 535}, COM/2010/0214 final

³³ OECD (2010), 'International Migration Outlook 2010', OECD Publishing

The OECD further finds that most countries saw declining flows in 2009. Significant declines were evident in many countries where migration directly depends on employer demand. Countries affected first by the crisis, i.e. Spain and Ireland, saw some of the sharpest declines in demand-driven migration. In Spain, labour migration under the general regime fell from more than 200,000 in 2007 to 137,000 in 2008 and to less than 16,000 in 2009.³⁴

In October 2010, Eurostat published its latest figures relative to the employment situation in the EU for the year 2008, including the following:

- During 2008, about 3.8 million people immigrated into one of the Member States of the EU, representing a decline in comparison with 2007. **Table 1** gives the details of this figure by main citizenship group. By comparison, the total recorded emigration in 2008 amounted to 2.3 million people. It should be noted that these figures do not represent the migration flows to/from the EU as a whole, since they also include international flows within the EU (i.e. between different Member States of the EU). Just over half of the total immigrants to EU Member States were previously resident outside the EU. The country that reported the largest number of immigrants in 2008 was Spain (726,000), followed by Germany (682,000), the United Kingdom (590,000) and Italy (535,000). More than two thirds of total immigrants have been recorded in these four Member States.
- Relative to the size of the resident population, the country that recorded the highest number of immigrants in 2008 was Luxembourg with 36 immigrants per thousand inhabitants, followed by Malta with 22 and Cyprus with 18 immigrants per thousand inhabitants. The reported immigration flows to a particular country include not only foreigners, but also so-called return immigration (i.e. nationals of a particular country returning to their home country). At EU level, the incidence of return immigration amounted to less than 15% of total immigrants. Among the non-nationals immigrating to EU Member States, there is a prevalence of non-EU nationals (representing 49% of total immigrants) over nationals of other Member States (representing 36%).
- Among the non-EU citizens who immigrated to one of the EU Member States in 2008, the largest group were Moroccans (157,000), followed by Chinese, Indians, Albanians, and Ukrainians. About 1.4 million EU citizens immigrated to another Member State in 2008; the largest groups being Romanians (348,000) and Polish (266,000).
- With regards to the gender distribution of immigrants for the EU as a whole, there was a slight prevalence of men over women (52% men versus 48% women).
- Immigrants to EU Member States in 2008 were on average much younger than the population of their respective destination countries. On 1 January 2009, the median age of the EU population was 40.6 years; in contrast, the median age of immigrants ranged from 24.8 years (in Portugal) to 37.5 years (in Greece)³⁵.

³⁴ OECD (2010), 'International Migration Outlook 2010', OECD Publishing, p32

³⁵ European Commission, Eurostat, 'Migration and migrant population statistics', October 2010

Table 1 : Immigration by main citizenship group, 2008³⁶

	Total immigrants	Nationals		Non-nationals					
				Total		Citizens of other EU Member States		Citizens of non-EU countries	
		in thousands	%	in thousands	%	in thousands	%	in thousands	%
EU-27 ^s	3 790.7 ^s	553.7 ^s	14.6	3 223.1 ^s	85.0	1 374.6 ^s	36.3	1 848.5 ^s	48.8
Belgium	150.8 ^p	.	.	.	.	.	.	.	.
Bulgaria	1.2	1.1	92.9	0.1	7.0	0.0	0.1	0.1	7.0
Czech Republic	77.8	1.7	2.1	76.2	97.9	17.6	22.7	58.5	75.2
Denmark	57.4	19.9	34.6	37.5	65.4	20.0	34.8	17.5	30.5
Germany	682.1	108.3	15.9	573.8	84.1	335.9	49.2	237.9	34.9
Estonia	3.7	1.7	47.5	1.9	52.5	1.0	27.0	0.9	25.6
Ireland	63.9	17.9	27.9	45.6	71.4	32.1	50.3	13.5	21.1
Greece	74.7	.	.	74.7	100.0	25.7	34.4	49.0	65.6
Spain	726.0	33.8	4.7	692.2	95.3	193.3	26.6	498.9	68.7
France	216.9	64.0	29.5	152.9	70.5	63.9	29.5	89.0	41.0
Italy	534.7	38.2	7.1	496.5	92.9	212.9	39.8	283.7	53.1
Cyprus	14.1	1.1	7.8	9.8	69.7	6.5	46.0	3.4	23.8
Latvia	3.5	0.9	27.1	2.5	72.9	1.6	46.0	0.9	26.9
Lithuania	9.3	6.3	68.2	3.0	31.8	0.4	4.0	2.6	27.8
Luxembourg	17.8	1.0	5.4	16.7	94.2	13.9	78.3	2.8	15.9
Hungary	37.5	2.0	5.3	35.5	94.7	17.7	47.1	17.9	47.7
Malta	9.0	1.2	13.0	7.8	86.9	4.5	49.8	3.3	37.1
Netherlands	143.5	40.2	28.0	94.3	65.7	55.4	38.6	38.9	27.1
Austria	110.1	15.3	13.9	94.4	85.7	55.3	50.3	39.1	35.5
Poland	47.9	35.9	75.0	12.0	25.0	3.1	6.4	8.9	18.6
Portugal	29.7	9.6	32.3	20.1	67.7	4.1	13.7	16.1	54.0
Romania	10.0	.	.	10.0	100.0	.	.	.	.
Slovenia	30.7	2.6	8.6	28.0	91.1	2.1	6.7	25.9	84.4
Slovakia	17.8	1.4	7.6	16.5	92.4	8.5	47.8	7.9	44.6
Finland	29.1	9.2	31.6	19.7	67.6	7.3	25.2	12.3	42.4
Sweden	101.2	17.9	17.6	83.0	82.0	30.4	30.0	52.6	52.0
United Kingdom	590.2	85.1	14.4	505.2	85.6	197.7	33.5	307.4	52.1
Iceland	10.3	2.8	27.4	7.5	72.6	6.4	62.2	1.1	10.4
Liechtenstein	.	.	.	.	.	.	.	.	.
Norway	58.1	6.4	11.1	51.7	88.9	32.2	55.4	19.5	33.5
Switzerland	184.3	22.7	12.3	161.6	87.7	113.6	61.6	48.0	26.0
Croatia	14.5	12.5	86.1	2.0	13.9	0.5	3.7	1.5	10.2
FYR of Macedonia	1.1	0.2	20.8	0.8	79.1	0.1	12.0	0.7	67.1
Turkey	20.8	0.0	0.0	19.7	94.4	6.0	28.7	13.7	65.7

s: Eurostat estimate; p: provisional value

Data source: Eurostat ([migr_imm1ctz](#))

³⁶ European Commission, Eurostat, Migration and migrant population statistics, October 2010

2. Issues at stake and challenges

In times of crisis, unemployment is a threat to all workers; however, migrants are proportionally more affected, as they tend to be concentrated in sectors such as construction, manufacturing, wholesale and hospitality, which have been particularly affected by the crisis³⁷. Generally-speaking, they tend to be younger, with less formal education and less work experience. In addition, the contractual arrangements surrounding their jobs offer less security, and they are more likely to be subject to selective layoffs. They also often lack local language skills. In particular, those who recently arrived also lack social capital or job networks.

The following paragraphs give an overview of the main issues relating to the impact of the crisis on migration flows; taking into consideration factors which have influenced the decline in international recruitment.

2.1. Low-Skills Sectors

One of the factors that have to be considered with regards to the increase in migrant unemployment is the relative concentration of migrants in economic sectors that are highly sensitive to the business cycle. The construction and financial sectors have been negatively impacted, as have manufacturing industries (in particular durable goods manufacturing), which have also suffered many job losses as a result of the collapse in world trade. Other sectors such as wholesale and retail trade are also typically hard hit during recessions.

The relative concentration of migrants in particular sectors varies from country to country. While in some countries, migrants are overrepresented in sectors of cyclical demand (thereby implying higher unemployment rates of foreign workers), in other countries it is not the case. For example, construction has been one of the sectors hardest hit by the recent economic and financial crisis; it is also a sector that accounts for an especially large share of national employment in the Baltic States, Ireland and Spain, and attracts a large number of migrant workers. It has been estimated that in Spain and Greece, migrants constitute up to 50% of workers in construction, wholesale and hospitality; sectors that have been particularly affected by the economic crisis³⁸.

There is also a connection between the sectors affected by the crisis and workers' competences, as the sectors which are hit the hardest by the crisis are those which provide more jobs for low-skilled workers. Settled labour migrants are over-represented in these industries and are at greater risk of long-term exclusion from the labour market; particularly if they lack the basic qualifications and skills required to take advantage of new job opportunities in other industries, notably in the service sectors.

New flows of immigration can have a negative impact on newly settled migrants. Immigrant competition is likely to be concentrated on certain kinds of jobs that immigrants can easily fill; particularly those that do not require language fluency, cultural knowledge or local experience. Most native workers are sheltered from immigrant competition, since they can work in jobs in which they have a comparative advantage over immigrants.

Competition for work is, then, largely between migrants, who face a difficult struggle for usually not very well paid and highly unstable jobs.

Because of the higher demand for highly-skilled workers, they tend to be less affected than low-skilled migrant workers, which further widens the economic and social gap between the two categories.

³⁷ ILO, 'Facing the global jobs crisis: Migrant workers, a population at risk', interview with I. Awad, Director of the International Migration Programme at the International Labour Office, ILO, August 2009

2.2. Vulnerable Groups

As already said, migrants are a category of workers who are particularly at risk during a crisis; however, within this category some immigrants are even more vulnerable and disadvantaged than others.

The situation of migrant **women** in the crisis seems to have led experts to different conclusions. Have migrant women been affected more or less than migrant men? Some data show that migrant women have been less affected by the crisis than migrant men. As a result of the economic crisis, employment losses were disproportionately large for men; notably because they are overrepresented in the most affected sectors (e.g. construction or manufacturing). Although migrant women also experienced difficulties in the labour market, it appears to be largely the foreign-born men who are responsible for the increasing gap between native-born and foreign-born unemployment.

Factors explaining this situation can be found in the distribution of employment among migrant women by industry. In fact, sectors related to social and household services still experienced positive employment growth in many countries during the crisis. These are clearly the sectors where migrant women make up a high share of the workforce.

In addition, the participation rate of migrant women in the labour market has recently increased in several countries; this is probably in order to compensate for income loss suffered by male members of their households. An example of this trend is Spain, where the share of female migrant workers in relation to the total foreign worker population increased by four percentage points (from almost 49% to 53%) between 2007 and 2009³⁹.

This conclusion is also cited in the **Council of Europe's Report on 'The impact of the global economic crisis on migration in Europe'**⁴⁰, where it is stated that, due to the sectoral distribution of jobs between men and women, women were less affected. However, it also recalls the fact that, since migrant women tend to be in a more precarious situation and be employed in the informal economy, their vulnerability to *delays in wages, hazardous conditions and denial of benefits* is increased.

One could, therefore, conclude that, as stated by the **ILO**⁴¹, it is also important to take into account the employment framework in this respect; *a comprehensive, indiscriminate assessment of the impact of the crisis on female migrant workers being neither possible nor advisable*.

The rates of growth of **remittances** has declined, and in some areas so has absolute volume. As remittances represent a high proportion of GDP in many countries, the impact of their decline implies that poverty reduction and the sustainability of economic activity and employment in some countries are at risk⁴². This phenomenon tends to have a disproportionate impact on women who are very often the receivers of remittances, especially young women and girls who may see a reduction in opportunities, for example, for schooling when household income decreases.

³⁸ J. Koehler, F. Laczko, C. Aghazarm, J. Schad, International Organisation for Migration, '*Migration and the economic crisis in the EU, implications for policy*', 2010, p. 19

³⁹ J. Koehler, F. Laczko, C. Aghazarm, J. Schad, International Organisation for Migration, '*Migration and the economic crisis in the EU, implications for policy*', 2010, pp 21

⁴⁰ P. Agramunt, Council of Europe, Committee on Migration, Refugees and Population, Report on '*The impact of the global economic crisis on migration in Europe*', 9 April 2010, Doc. 12200

⁴¹ Awad, Ibrahim, '*The global economic crisis and migrant workers: Impact and response*', ILO, 01 August 2009, p. 53

⁴² ILO, '*Facing the global jobs crisis: Migrant workers, a population at risk*', interview with I. Awad, Director of the International Migration Programme at the International Labour Office, ILO, August 2009

Young people are another vulnerable group during economic downturns. According to the OECD⁴³, they have shown cyclical sensitivities which are 80% greater than for total employment during past recessions. Between the second quarter of 2008 and 2009, the employment rate of 15 to 24 year olds fell by 7%. This is a matter of great concern as in many countries the youth unemployment rate was already very high prior to the crisis. Furthermore, this could bring serious consequences in the long-term: young people may continue to face great difficulties in entering the labour market well beyond the crisis. This, in turn, creates obstacles for the following generations.

This negative situation is, of course, extended to young migrants. During the recovery, with an abundance of candidates for jobs, employers may increasingly use criteria such as language proficiency or the country where the diploma was obtained to exclude candidates. Young migrants are, relatively-speaking, more exposed to unemployment, because they are less qualified than their native counterparts. The employment rate of the native-born population has decreased with age in all countries where the labour market has been seriously hit by the crisis; with the exception of those with particularly low initial levels of youth employment, such as Greece, Belgium and France. Comparison with the foreign-born population is striking: in Ireland, for example, the employment rate of young migrants aged 15 to 24 dropped by 15%; almost twice the figure of native-born young migrants⁴⁴.

2.3. Specific Obstacles

It goes without saying that migrants normally encounter many difficulties when they arrive in a new country. As indicated earlier, the most evident difficulties are the possibility to find an adequate job, the challenge of facing linguistic and cultural differences, the difficulties in the recognition of credentials and national diplomas, and the lack of adequate social supports and interaction with the local population. It would also appear to be the case, that the practise of "last in, first out" tends to disadvantage immigrants, as they have less company-specific knowledge or because their employer has provided them with less training⁴⁵.

In addition, other obstacles create serious limits to the integration of immigrants:

2.3.1 Discrimination

A possible reduction in the protection of migrants' and refugees' right to receive equal treatment remains a particular concern during the economic downturn; this despite the lack of available data or statistics on this subject or on the impact of the economic downturn on smuggling and trafficking.⁴⁶

Even without the crisis, underpayment or non-payment of wages, physical abuse, sexual harassment and violence against migrant workers (in particular against migrant women) and the denial and repression of trade union rights are common problems faced by migrant workers. Their vulnerability makes them "attractive" to non-scrupulous employers, as they can be underpaid, provided with little or no workplace safety and health protection, and hired and fired at a moment's notice, with little prospect of unionisation.

⁴³ OECD, 'International Migration Outlook', SOPEMI 2010, p. 93

⁴⁴ OECD, 'International Migration Outlook', SOPEMI 2010, p. 95

⁴⁵ Demetrios G. Papademetriou, et al., 'Migration and Immigrants Two Years after the Financial Collapse: Where Do We Stand?', MPI, October 2010, p.9

⁴⁶ P. Agramunt, Council of Europe, Committee on Migration, Refugees and Population, Report on 'The impact of the global economic crisis on migration in Europe', 9 April 2010, Doc. 12200, Para. 56

The crisis only makes migrant labour even more attractive for some employers, who may seek to obtain advantage in paying vulnerable foreigners less than prevailing wages and ignoring basic health and safety protections⁴⁷.

2.3.2 Legislation

The economic crisis and its consequences for countries' deficits have created a sense of caution among the national governments of EU Member States with regard to migration policy. EU countries have responded by trying to restrict the entry of third-country nationals, especially the low-skilled, and by tightening border controls to limit the flow of irregular migrants. In some countries, there have also been some initiatives to promote return migration. In a period of economic crisis, contraction of the economy and rising unemployment may prompt destination countries to introduce more restrictive labour migration policies⁴⁸. Migrants may thus face further stigmatisation; particularly in advanced economies, where more robust deportation programmes may be implemented as a result of the economic downturn.⁴⁹

Nevertheless, several important strategic documents on migration have been adopted at EU level. These include the **Stockholm Programme** (which gives priority to a closer partnership with third countries) and the **Europe 2020 Strategy** (which identifies several objectives, including the development of an innovation-based economy and the promotion of both sustainable growth and territorial cohesion).

2.3.3 Access to welfare

Before the economic crisis, migrants were less likely to be welfare recipients than national citizens. There is limited evidence that this pattern has changed despite substantial job losses among migrant workers.⁵⁰

Yet migrants may also be reluctant to claim the welfare benefits for which they are eligible, as claiming such benefits may negatively impact on their residence status. In some countries, such as Ireland and the Czech Republic, migrant workers who register as unemployed must find new employment within a certain period, or they will lose their permission to stay.

The economic crisis may also make it difficult for migrants to change their status to one which would entitle them to claim welfare benefits. The tendency of the Member States during an economic downturn might be to protect the domestic workforce, thereby disproportionately affecting migrant workers, who have great difficulty in meeting those residency requirements which grant access to welfare benefits.

⁴⁷ P. Agramunt, Council of Europe, Committee on Migration, Refugees and Population, Report on *The impact of the global economic crisis on migration in Europe*, 9 April 2010, Doc. 12200, Para 57

⁴⁸ ILO, *Facing the global jobs crisis: Migrant workers, a population at risk*, interview with I. Awad, Director of the International Migration Programme at the International Labour Office, ILO, August 2009

⁴⁹ Development Research Centre on Migration, Globalisation & Poverty, *Migration and the Financial Crisis: How will the Economic Downturn Affect Migrants?*, DRC Briefing Paper Series No 17, February 2009.

⁵⁰ J. Koehler, F. Laczko, C. Aghazarm, J. Schad, International Organisation for Migration, *Migration and the economic crisis in the EU, implications for policy*, 2010, p. 22

2.3.4 Public opinion

The perception of immigrants in society is a very sensitive issue related to political and cultural views. Some studies show positive results⁵¹, presenting figures and poll data which indicate that the economic recession did not necessarily increase public concern about migration. Others are more negative⁵², presenting a situation in which xenophobic sentiments and discrimination against migrant workers are on the increase, as higher unemployment and worker layoffs may generate resentment among some native workers, who blame migrant workers for "taking" jobs and, in some way, for their own insecurity. However, with growing economic insecurity, migrant workers are fundamental, because immigrant labour is usually oriented towards a share of the labour market that is not in competition with national workers.

The media also play a great role in determining public attitudes.

⁵¹ J. Koehler, F. Laczko, C. Aghazarm, J. Schad, International Organisation for Migration, *Migration and the economic crisis in the EU, implications for policy*, 2010, p. 23

⁵² P. Agramunt, Council of Europe, Committee on Migration, Refugees and Population, Report on *The impact of the global economic crisis on migration in Europe*, 9 April 2010, Doc. 12200, para. 62

3. EU Legislation

The EU has been working on a common policy since 1999, when, for the first time, competence in this domain was clearly recognised by the EC Treaty.

The basis for a common EU immigration policy was set out at the **Tampere European Council in 1999**; where three elements required for an EU immigration policy were agreed upon: a comprehensive approach to the management of migration flows, a fair treatment for third-country nationals and a better development of partnerships with the countries of origin.⁵³ The approach agreed in Tampere was confirmed in 2004 with the adoption of the **Hague Programme**, which sets the objectives for strengthening freedom, security and justice in the EU for the period 2005-2010⁵⁴.

The **Stockholm Programme**⁵⁵ (valid for the period 2010-2014) insists that *'the priority for the coming years will be to focus on the interests and needs of citizens. The challenge will be to ensure respect for fundamental rights and freedoms and integrity of the person while guaranteeing security in Europe. It is of paramount importance that law enforcement measures, on the one hand, and measures to safeguard individual rights, the rule of law and international protection rules, on the other, go hand in hand in the same direction and are mutually reinforced'*. The increased mobility of persons poses both opportunities and challenges, and well-managed migration can be beneficial to all stakeholders. In the context of the important demographic challenges that will face the Union in the future with an increased demand for labour, flexible migration policies will make an important contribution to the Union's economic development and performance in the longer term. The long-term consequences of migration (for example on the labour markets and the social situation of migrants) have to be taken into account and the interconnection between migration and integration remains crucial, inter alia, with regard to the fundamental values of the Union⁵⁶.

Common instruments and policies are already in place to address the internal and external dimensions of immigration. However, in the Commission Communication on **"A Common Immigration Policy for Europe: Principles, actions and tools"**⁵⁷ these achievements were explicitly considered not to be sufficient. Calling for a common policy vision, which builds on past achievements and aims at providing a more coherent and forthcoming framework for future action by the Member States and the EU itself, it stresses that the added value of the EU is *in providing European instruments where they are needed and providing the right framework for achieving coherence where Member States act on the basis of their competences*. Furthermore, the Commission made clear that immigration is a reality which needs to be managed effectively⁵⁸. In an open Europe without internal borders, no Member State can manage immigration on its own. The positive potential of immigration can only be realised if integration into host societies is successful. This requires an approach which does not only look at the benefit for the host society, but also takes into account the interests of the immigrants.

⁵³ European Council, Tampere, 15-16 October 1999, Presidency Conclusion

⁵⁴ European Council, *The Hague Programme: strengthening freedom, security and justice in the European Union*, Brussels, 4-5 November 2004, Presidency Conclusion

⁵⁵ European Council, *The Stockholm Programme, An open and secure Europe serving and protecting the citizens*, Brussels, 2 December 2009, Presidency Conclusion.

⁵⁶ European Council, *The Stockholm Programme, An open and secure Europe serving and protecting the citizens*, Section 6

⁵⁷ Commission Communication of 17 June 2008, "A Common Immigration Policy for Europe: Principles, actions and tools" (COM(2008)0359)

⁵⁸ Communication from the Commission of 17 June 2008, "A Common Immigration Policy for Europe: Principles, actions and tools" (COM(2008)0359)

This Communication puts forward 10 common principles with concrete actions for their implementation; on the basis of which the common European immigration policy will be formulated. In order to attain a coordinated and integrated approach to immigration, these principles are mainstreamed under the three main strands of EU policy:⁵⁹

- **prosperity** with the contribution of legal immigration to the socio-economic development of the EU;
- **solidarity** among Member States and the EU for burden sharing and policy coordination. This requires funding for border management control, integration policies and close cooperation with third countries in order to deal with situations of mutual interest, including problems caused by "brain drain";
- **security** of our societies and of immigrants themselves. This requires fighting illegal immigration and illegal employment, and striking the right balance between individual integrity and collective security concerns.

The **European Pact on Immigration and Asylum**⁶⁰ endorsed by the European Council of October 2008 provides a clear basis for further development, as it states that Europe will need a flexible policy which is responsive to the priorities and needs of Member States and enables migrants to feel fully integrated.

In a Communication of December 2006, the European Commission considered that the implementation of the **Global Approach to Migration**⁶¹ (agreed upon in 2005) needed to be accelerated, keeping a balance between the three main objectives⁶² of:

- solidarity between Member States: to promote mobility;
- partnership with third countries: to prevent and combat illegal immigration;
- protection of migrants: in particular vulnerable groups such as unaccompanied minors and women.

The issue of migration is also present in the **EU 2020 Strategy**⁶³: the employment rate of the population aged 20-64 must increase from the current 69% to at least 75%, including through the greater involvement of women, older workers and the better integration of migrants in the work force. One of the aims of the strategy is to ensure economic, social and territorial cohesion. The means to achieve this goal are the fight against social exclusion and the development of a new agenda for migrants' integration, to enable them to take full advantage of their potential.

In addition, the European Commission has recently issued proposals for Directives on matters related directly to immigration and labour. The so-called "**Single Permit Directive**"⁶⁴ forms part of EU efforts to develop a comprehensive immigration policy and seeks to implement some of the ideas set out in the Policy Plan on Legal Migration. On the one hand, this Policy Plan aims to lay down admission conditions for specific categories of migrants (highly qualified workers, seasonal workers, remunerated trainees and intra-corporate transferees) in four specific legislative proposals and, on the other hand, to introduce a general framework for a fair and rights-based approach to labour migration.

⁵⁹ Commission Communication of 17 June 2008, "A Common Immigration Policy for Europe: Principles, actions and tools" (COM(2008)0359)

⁶⁰ Council of the European Union, *European Pact on Immigration and Asylum*, Brussels, 24 September 2008

⁶¹ Council of the European Union, *Global Approach to Migration: Priority actions focusing on Africa and the Mediterranean*, Brussels, 13 December 2005. The Global Approach formulates coherent policies and action on migration, addressing a vast array of migration issues and bringing together the various relevant policy areas including external relations, development, employment, and justice, freedom and security. The approach shows tangible, active solidarity, hinged on responsibility-sharing between Member States and with third countries.

⁶² Communication from the Commission of 4 December 2006, "The Global Approach to Migration one year on: Towards a comprehensive European migration policy", (COM(2006)0735)

⁶³ Communication from the Commission of 3 March 2010, Europe 2020, "A strategy for smart, sustainable and inclusive growth", (COM(2010)2020)

⁶⁴ Proposal for a Council directive on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a member state and on a common set of rights for third-country workers legally residing in a Member State (COM(2007)638)

The latter objective should be met by securing the legal status of already admitted third-country workers and by introducing procedural simplifications for the applicants. In order to achieve these objectives, the Commission proposes to guarantee a common set of rights to all third-country workers lawfully residing in a Member State and not yet entitled to long-term residence status, and to introduce a single application procedure, along with a single residence/work permit. The same goes for the "**Seasonal Workers**" Directive⁶⁵ and for the Directive on the conditions of entry and residence of third-country nationals in the framework of an **intra-corporate transfer**⁶⁶.

⁶⁵ Proposal for a directive of the European Parliament and of the Council on the conditions of entry and residence of third-country nationals for the purpose of seasonal employment (COM(2010)379)

⁶⁶ Proposal for a directive of the European Parliament and of the Council on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer (COM(2010)0209)

4. THE EUROPEAN PARLIAMENT

In favour of the establishment of a common European immigration policy, the European Parliament has recalled its awareness that the management of migration flows must be based on a coordinated approach, taking into account the demographic and economic situation of the EU and its Member States.

In its Resolution of 22 April 2009 on a **Common Immigration Policy for Europe**, the European Parliament, strongly supports the establishment of a common European immigration policy founded on a high level of political and operational solidarity, mutual trust, transparency, partnership, shared responsibility and joint efforts through common principles and concrete actions, as well as on the values enshrined in the Charter of Fundamental Rights of the European Union⁶⁷.

Furthermore the Parliament regrets that, so far, too little has been done to establish a common legal immigration policy. According to the Parliament, a common immigration policy must be flanked with an effective policy for the development of the countries of origin and requires the establishment of a common asylum policy. Moreover, the Parliament notes that immigration into the EU is not the solution to overcome the challenges faced by developing countries. Integration is considered as a positive phenomenon, which enhances cultural diversity in the EU and it should be based on social inclusion, anti-discrimination and equal opportunities, namely through the possibility of access to health, education, language training and employment.

Beyond economic issues, there are also political reasons why integration is important: a good integration process is the best tool to eliminate mistrust and suspicion between native citizens and migrants and a key element in the integration process is giving migrants opportunities for democratic participation⁶⁸. As a consequence of a shared competence policy area between the EU and the national level, coordination (especially on economic, social and development policies) must be significantly fostered. The common immigration policy must be delivered in partnership between the Member States and the EU, and it should be based on the economic and immigration situation of each Member State and of the EU as a whole.

In its Resolution on Common Immigration Policy, the Parliament stressed that to tackle the obstacles to integration (e.g. low skills and education levels), it is necessary to increase the attractiveness of the EU for highly-qualified workers and equally important to recognise immigrants' skills levels (paying particular attention to the kind of qualifications obtained in their country of origin)⁶⁹. The same Resolution also calls for targeted support for third countries of transit and origin to help them build an effective border management system and for implementation of the policy instruments developed within the framework of the "Global Approach to Migration".

In November 2009, The European Parliament adopted a Resolution⁷⁰ to define Parliament's priorities in regard to the **Stockholm Programme**, which details a series of measures in the area of freedom, security and justice for the 2010-2014 period.

⁶⁷ European Parliament Resolution of 22 April 2009 on a Common Immigration Policy for Europe: Principles, actions and tools (2008/2331 (INI)), Para. 1

⁶⁸ European Parliament Resolution of 22 April 2009 on a Common Immigration Policy for Europe: Principles, actions and tools (2008/2331 (INI)), Para. 30

⁶⁹ European Parliament Resolution of 22 April 2009 on a Common Immigration Policy for Europe: Principles, actions and tools (2008/2331 (INI)), Para. 21

⁷⁰ European Parliament resolution of 25 November 2009 on the Communication from the Commission to the European Parliament and the Council – An area of freedom, security and justice serving the citizen – Stockholm programme (T7-0090/2009)

The Resolution stresses that the programme should address the problems of migration in solidarity, strike a better balance between the security of citizens (e.g. protection of external borders, prosecution of trans-border crime) and the protection of their individual rights, provide citizens with fair access to justice and settle the practical problems which citizens face in the European Union in matters subject to different legal orders.

With regards to migration, it stresses the need for the continued development of adequately funded and ambitious regional protection programmes. This policy also needs to be complemented by Community integration policies, fully respecting fundamental rights. In addition, Parliament points out that immigration and asylum policies should also address the needs of the most vulnerable groups; such as refugees and asylum seekers, and, in particular, minors and unaccompanied minors. It urges the formulation of a stronger immigration policy closely connected with other Community policies; especially with employment policy. The European Parliament also stressed the importance of granting migrants access to justice, housing, education and healthcare⁷¹.

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⁷¹ European Parliament resolution of 25 November 2009 on the Communication from the Commission to the European Parliament and the Council – An area of freedom, security and justice serving the citizen – Stockholm programme (T7-0090/2009)

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Questions for debate

Which main disadvantages do immigrants face in society, compared to nationals?
Has the crisis worsened the situation?

Since 1999, the European Union has taken a series of initiatives towards a common migration policy. Can we perceive a progressive improvement in national immigration policies? How can we ensure the swift implementation of the measures agreed upon and how can EU action be best complemented with Member States' own initiatives?

Integration is a complex process, in which both immigrants and nationals have to participate. How is it possible to reach a correct balance between the interests of the country nationals and the interests of the immigrants? Do they share the same objectives or do their interests clash?

The Stockholm Programme gives priority to a closer partnership with third countries and focuses on some integration issues. How will it be able to best achieve its goals and to meet future challenges in integration? Which positive changes could already be perceived?

The perception of immigrants in society is a very sensitive issue. To which extent are media playing a role in the way public opinion sees immigrants?

Do the European Union's citizens have a correct perception of the phenomenon of migration or is it distorted by negative factors? Has something changed with the crisis?

ANNEX : Recent EP resolutions

European Parliament resolution of 25 November 2009 on the Communication from the Commission to the European Parliament and the Council, '*An area of freedom, security and justice serving the citizen*', Stockholm Programme.

European Parliament Resolution of 22 April 2009 on a '*Common Immigration Policy for Europe: Principles, actions and tools*' (2008/2331(INI)).

European Parliament legislative resolution of 20 November 2008 on the '*proposal for a Council directive on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment*' (COM(2007)0637 - C6-0011/2007 - 2007/0228(CNS)).

European Parliament legislative resolution of 20 November 2008 on the '*proposal for a Council directive on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State*' (COM(2007)0638 - C6-0470/2007 - 2007/0229(CNS)).

WORKING GROUP 3 - CHALLENGES FOR A MODEL OF EUROPEAN SOCIETY: TOWARDS A SUSTAINABLE AND INCLUSIVE GROWTH MODEL

Abstract

As a consequence of the economic crisis, growth has decreased, unemployment rates are increasing and poverty is on the rise. New forms of poverty are appearing (see WG1 paper) and other facets of inequality (health, quality of life, energy divide, digital exclusion) become more apparent.

This note addresses various questions on the challenges for a new Model of European Society. What are the effects of the crisis on the economy and which environmental and societal challenges have to be addressed? It is possible to build a new Model of European Society, one that guarantees sustainable and inclusive growth, creates employment and reduces poverty?

The first part analyses how growth and sustainable development must be reconciled. It also stresses how climate change could impact Europe's territory and put pressure on the share of and access to natural resources; affecting more severely the most vulnerable people in society. To avoid social exclusion and to anticipate both issues of energy and digital divide, investments in green technologies and ICT have to be enhanced. This is precisely what the second part aims at: showing that a successful green transition is the solution for growth, sustainability and social inclusion.

European citizens and the European Parliament have a role to play in this transition to a new model of European society. Above all, the poorest and the most vulnerable people must not be left on the sidelines, but instead they should be given the means to become responsible eco-citizens, who can participate fully in this change for a more sustainable and inclusive society.

1. Growth and sustainable development in Europe

1.1. European economy⁷²

After a deep recession in 2008-2009, currently a continuation of the economic **recovery is underway** in the EU. While the recovery is becoming increasingly self-sustaining at EU level, progress across Member States remains uneven. The recovery also appears to be broadening out, whereby the pick-up in exports starts to spur investment demand. GDP in the EU is projected to grow by around 1¾% in 2010-11 and by 2% in 2012.

While overall conditions are set to remain weak, labour-market conditions have recently started to stabilise in the EU, lagging the overall developments. A modest improvement expected over the forecast horizon, with **employment growth** of almost ½% and around ¾% in 2011 and 2012, respectively. The unemployment rate is projected to gradually fall, from some 9½% this year to about 9% by 2012.

Nonetheless the European economy is facing enormous challenges: the financial crisis and the euro area crisis resolution issues remain unresolved, and even though currently somewhat forgotten under the concerns of growth and jobs, accelerating climate change putting into question the use of resources, on the other.

In the midst of the financial turbulences, concerns over growth rates of economies (GDP) have been resurfacing strongly throughout the EU. After all, GDP growth is a reliable, albeit imperfect, estimator of jobs that often follow. However growth concerns are by no means new. They have in many ways driven our economies and economic policy-making in the last decades. GDP growth has, since the conceptual development of GDP by Simon Kuznets in the 1930s, emerged to be the main metric for the "development" of economies, in Europe and elsewhere in the world.

However, it is important to keep in mind that the concepts '**growth**' and '**development**' are not necessarily the same. Herman Daly⁷³ highlights this difference in his book "Beyond Growth: The Economics of Sustainable Development":

*"To grow means to increase naturally in size through the addition of material through assimilation or accreditation. To develop means to expand or realise the potentialities of; bringing gradually to a fuller, greater or better state. In short, growth is the quantitative increase in physical scale while development is qualitative improvement or the unfolding of potentiality. An economy can grow without developing, or develop without growing, or do both, or neither."*⁷⁴

Furthermore, Daly defines uneconomic growth as "*when increases in production come at an expense in resources and well-being that is worth more than the items made*". '**Local economic growth**' for example, **may result in 'global uneconomic growth'**: to take simple example, a boost in car production may result in higher income for people working in a car factory, but may lead to more air pollution and greenhouse gas emissions, resulting in an increase of global warming and therefore defeating the crucial measures designed to tackle the second "crush" described above, the climate challenge.

⁷² First two paragraphs taken from the European Commission Autumn Economic Forecast 2010.

⁷³ Herman Daly, ecological economist and former senior economist in the environmental department of the World Bank.

⁷⁴ Extract from *Toward Sustainable Development: An Ecological Economics Approach*, page 29, by Philip Andrew Lawn, 2000

The 1987 Brundtland report '*Our Common Future*'⁷⁵ defined sustainable development as "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Development involves economic as well as social and environmental changes, thus requiring an interdisciplinary approach. This line has also been endorsed by the EU in its **Sustainable Development Strategy (SDS)**⁷⁶.

The EU Sustainable Development Strategy (SDS), adopted by the European Council in June 2001 and renewed in December 2009⁷⁷, aims to reconcile economic development, social cohesion and protection of the environment. In its resolution of 15 June 2006 on the revised SDS⁷⁸, the European Parliament (EP) asked for balancing the emphasis placed on GDP in measuring progress in society by an equal concern about the qualitative aspects of growth. The EP called for a limited set of **key sustainability indicators** that would allow quantitative and prompt assessments of health (quality and distribution of health care, life expectancy, child mortality, etc.), awareness (education and culture, ICT access, etc.), inclusion (participation in society's decisions and social capital, etc.) and environmental quality (air and water pollution, etc.). In addition to the SDS, the EU has also proclaimed its goal in the **EU2020 strategy** of reaching **five ambitious goals** employment, innovation, education, social inclusion and climate/energy by 2020.⁷⁹

At a global level, the Green Economy Initiative (October 2008) that has been brought forward by the United Nations Environment Programme (UNEP) is endorsed by the Commission and can be seen as part of a New Green Deal to handle the current financial crisis while promoting job-creating programmes with the aim to restore the natural systems that underpin the world economy. The thought behind this initiative is that switching direction and concentrating on 'green growth' will not only prevent catastrophes linked to food and fuel, but also rescue the world finances.

Investments in Information and Communication Technology (ICT) could also help getting out of the crisis and putting Europe on a new growth path. ICT plays an important role in the European economy: it provides 5% of the GDP and drives 20% of overall productivity growth⁸⁰. ICT as a general-purpose technology contributes to economic growth and employment in other sectors as well.

1.2. Environmental challenges

Despite substantial improvements, major environmental challenges remain and will have significant consequences for Europe according to the last EEA State and Outlook Report⁸¹:

- *climate change* and its effects;
- loss of *biodiversity* and degradation of ecosystems;
- growing use of *natural resources* to satisfy production and consumption patterns and environmental pressure from increasing *waste*;
- water and air pollution and human exposure to chemicals still affecting *health and quality of life*.

⁷⁵ Published in 1987 and named after the former Norwegian Prime Minister Gro Harlem Brundtland who chaired the World Commission on Environment and Development (set up in 1983).

⁷⁶ COM(2001) 264 "A sustainable Europe for a better World: a European Union Strategy for sustainable Development".

⁷⁷ The European Council in December 2009 confirmed that "Sustainable development remains a fundamental objective of the European Union under the Lisbon Treaty. And according to the Presidency's report on the 2009 review of the Union's Sustainable Development Strategy, the strategy will continue to provide a long-term vision and constitute the overarching policy framework for all Union policies and strategies

<http://register.consilium.europa.eu/pdf/en/09/st16/st16818.en09.pdf>

⁷⁸ "Sustainable development strategy", European Parliament resolution on the revised sustainable development strategy, of 15 June 2006 (P6_TA(2006)0272).

⁷⁹ See e.g. http://ec.europa.eu/europe2020/index_en.htm.

⁸⁰ Europe's Digital Competitiveness Report 2010, Commission staff working document, Volume 1, SEC (2010) 627

⁸¹ European Environmental Agency- State and Outlook report 2010

These environmental challenges, if left unaddressed, could ultimately undermine Europe's economy and social cohesion. Above all, these challenges raise the question about **sharing of access to and the benefits of ecosystems services**.

With an average of 100 people per km², Europe's territory is one of the most densely populated in the world making Europeans strongly dependent on natural resources and their ecosystems. Public policies will have to answer key questions: how to secure today's environmental resources (air, water, soil, forests, biodiversity) to **sustain current and future needs**? How to supply essential benefits (food, water, energy, materials) while regulating climate change and floods?

In a globalised world, the state of Europe's environment is especially dependent on global trends. Environmental challenges are nowadays more often seen combined with global trends (economic, social, political and technological aspects) acting interdependently. The recent financial crisis has already highlighted the interconnection and the speed in the **spread of global risks** on the planet. These interdependencies imply increasing systemic risks, and a better knowledge of these associated uncertainties will have to be developed.

Climate Change and Poverty

Though they have contributed least to the causes of global warming, the poorest countries will be hit the hardest. Climate change is already undermining efforts to reduce poverty and hunger in developing countries and posing a major threat to the achievement of the Millennium Development Goals.

In September 2010, the UN Summit on the Millennium Development Goals adopted a new global action plan to achieve the eight anti-poverty goals by 2015⁸². The 7th target aims to ensure **environmental sustainability** and is defined in 4 sub-targets:

- reverse loss of environmental resources;
- reduce biodiversity loss;
- provide access to safe drinking water;
- improve the lives of at least 100 million slum-dwellers.

In Europe also, climate change is having a more severe impact on **the most vulnerable in society: the poor, women, children and the elderly**. With more violent natural disasters, extreme changes in temperatures and increasing energy prices it's becoming ever more harder for the poorest to achieve a decent standard of living.

In France in 2000 they spent 10% of their revenues on gas and electricity; today, this ratio has grown to 15%⁸³. During the current cold spell, its impacts can clearly be seen throughout Europe as people face difficulties to pay energy bills⁸⁴. The poorest are facing a vicious circle: inadequate heating leads to deterioration of housing and health problems which in turn results in increased medical costs and lower employability pushing the poor further towards social marginalisation.

"Climate change and Poverty" is an unavoidable debate and requires a vision that **reconciles Environment and Social Justice**: this is a true societal challenge and to address it, public policies have to set and answer the right questions:

- Where are the **most vulnerable members of society** located and can their housing drive them to a precarious existence?

⁸² <http://www.un.org/millenniumgoals/>

⁸³ [Plan](http://www.planetegagnante.fr/servlet/KBaseShow?sort=-1&cid=96&m=3&catid=20197) Bâtiment Grenelle, Groupe de Travail Précarité Énergétique: Rapport final <http://www.planetegagnante.fr/servlet/KBaseShow?sort=-1&cid=96&m=3&catid=20197>

⁸⁴ In Hungary for example only in this heating season 50000 households have been cut off the gas system as a consequence of unpaid bills <http://www.energiainfo.hu/index.php?par=13&option=news&id=22972>

- How can the root causes of **energy divide** be addressed and the social consequences (e.g. health care expenses and costs of social reinsertion) be avoided (for example increasing competition in energy markets to drive prices down, improving insulation, investing in energy efficiency, social pricing, etc.)?
- **Housing and mobility** are two main factors that can improve their life or allow them to play an integral role in society. How can both factors be addressed and which **proximity solutions** could be developed to help them concretely? (For example, a better developed digital network to give access to online public services, eHealth services and websites to find jobs, or local initiatives to provide information on ecological practices, car-sharing initiatives, etc...).
- Which improvements in the transport network and in the urban environment could help the most vulnerable people have a better access to employment opportunities and public facilities?
- Which **"green" fiscal instruments** (green taxes, eco-loans, free energy audit in housing, etc...) could be specially framed to help the most vulnerable people to face the green transition? How could green taxes create incentives for renewable and sustainable practices?

The poorest and the most vulnerable people must not be left on the sidelines, but instead should play a role in this transition to a more sustainable and inclusive society. Through adequate public policies and private support (notably with regards to education, transport, internet access and urban development), they can be given the means to become responsible eco-citizens, who can participate fully in this change for a more sustainable society.

1.3. Digital divide

The spread of ICT technologies creates a further challenge to creating an inclusive society.

While differences in internet use and digital literacy have decreased in the past years, disparities - known as the **Digital Divide** - still remain among some groups. The old, the economically inactive, the low-educated and the low-income groups have significantly lower rates of regular **internet use** than the average population. 30% of Europeans have never used the Internet. In terms of **digital skills** the group of senior citizens and economically inactive people is significantly lagging behind⁸⁵

We can also notice differences in the take-up of broadband internet for different groups, denoted as the **Second Digital Divide**. Lower income households and those living in rural areas have a below than average broadband penetration. The broadband gap between households of different incomes has increased in the past year⁸⁶

The "Digital Agenda for Europe"⁸⁷ sets as a goal to increase regular internet use from 60% to 75% by 2015 (from 41% to 60% for disadvantaged people) and to halve the proportion of population that has never used the internet.

⁸⁵ Europe's Digital Competitiveness Report 2010

⁸⁶ *ibid*

⁸⁷ http://ec.europa.eu/information_society/digital-agenda/index_en.htm

2. A Green and Digital New Deal for Europe?

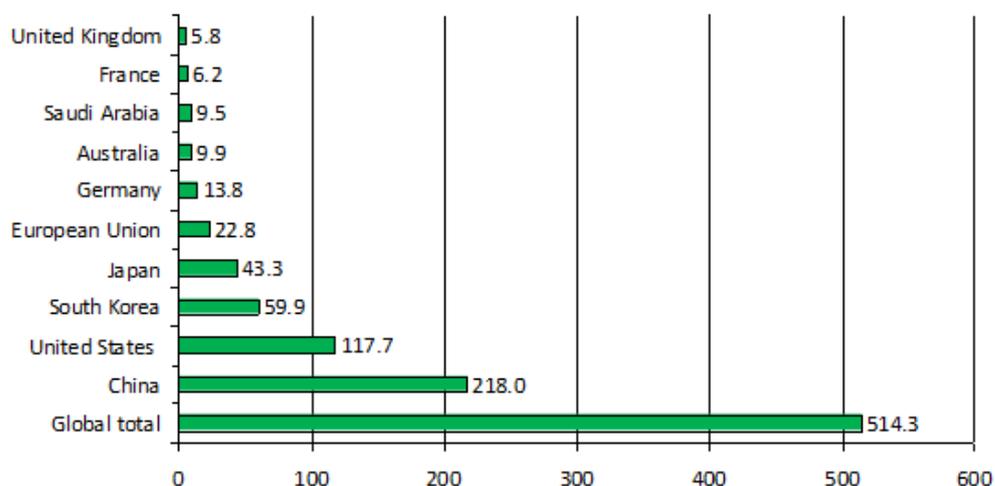
2.1. Green investment - one solution for two crises?

There is an evolving political consensus at EU level that a switch to a low-carbon economy is required both to combat climate change and, to a lesser extent a political consensus, for European industries to remain competitive in the long term. The current challenge is to maintain that long term objective in the face of short term difficulties.

During the financial crisis, fears have been raised that the current financial situation could slow down the development of new '**clean**' **technologies** which are seen as part of a more sustainable development. However, initiatives which attempt to stimulate the declining demand and growth through "greener" demand management have been brought forward during the crisis.

The below Figure 1 shows the absolute size of the green stimulus in different parts of the world (2008-2009). On the global level the total green stimulus of \$514bn amounts to one sixth of the total global stimulus spending, at roughly \$3 trillion.

Figure 1 Global green stimulus spending, from September 2008 through December 2009 (\$ billions)



Source: Edward Barbier (2010)- <http://www.voxeu.org/index.php?q=node/5134>

As can be seen, the European Union stimulus is rather small considering that it is the world's largest economy. However, this record is less the fault of the European Union than its Member States. The total green spending of governments in the EU on clean energy and environmental investments totalled only \$57bn, while in contrast the Asia Pacific region spent \$342bn.

On the EU level, in addition to the European Economic Recovery Plan launched in October 2008, a considerable part of additional, crisis-related EIB and EBRD lending was directed towards **green infrastructure** (credit measures of €6bn for climate change financing by the EIB, as well as additional credit for green and infrastructure investment of the EBRD of €500 million). However, in global comparison these figures have not been very high.

The global leader in transforming the recovery into a green recovery currently comes from **Asia**, South Korea. Both the Korean and the Chinese stimuli have had a remarkable green component, described in the below case study. It seems clear that much more could be done in the EU to direct investment into renewable energy, carbon capture and sequestration and energy efficiency, to mention a few areas.

Case study: China and South Korea - investments in clean energy technologies can have a major impact on growth, expanding exports, and creating employment

"One reason that **China** has adopted green fiscal measures is that its renewable energy sector already has a value of nearly \$17 billion and employs close to one million workers. Other green initiatives included promoting fuel-efficient vehicles, rail transport, electricity grid improvements, and pollution control. China has also raised taxes on gasoline and diesel and reduced the sales tax on more fuel-efficient vehicles. In addition, China is the world's largest recipient of carbon emission reduction credits under the Clean Development Mechanism, currently earning \$2 billion from these credits. Overall, China views promotion of green sectors as sound industrial policy: it aims to be the world market leader in solar panels, wind turbines, fuel-efficient cars, and other clean energy industries.

South Korea also sees its industrial strategy tied to green growth. In addition to the green New Deal, the South Korean government plans to establish a \$72.2 million renewable energy fund to attract private investment in solar, wind and hydroelectric power projects. In July 2009, South Korea launched a five-year Green Growth Investment Plan, spending an additional \$60 billion on reducing carbon dependency and environmental improvements, with the aim of creating up to 1.8 million jobs and boosting economic growth through 2020."

Copied from source: Barbier, Edward B. (2010)

<http://www.voxeu.org/index.php?q=node/5134>.

Today, the question is **how the financing** of the agreed-upon transformation to a low-carbon economy will progress in view of other urgent policy measures needed to address the crisis. How can policy responses in the field of climate and energy and an economic recovery plan in view of extreme fiscal problems be reconciled into a New Green Deal?

2.2. The Economics of a Green Global Recovery

In October 2006, Sir Nicholas Stern published his influential report arguing that keeping global warming under control **would cost much less than dealing with the consequences** of climate change. The report called for an international response involving fast-developing economies such as China and incorporating emissions trading, adaptation measures and deforestation actions alongside technology cooperation. (More recently, Stern has been among those calling for global green stimulus). A study by consulting firm McKinsey⁸⁸ shows that it is possible to maintain global warming below 2° at an overall cost of less than 1% of global GDP if swift action is taken across different sectors. In summary the analysis further finds that:

- Opportunities can be grouped into three categories of technical measures: energy efficiency, low-carbon energy supply, and terrestrial carbon.
- Capturing all the potential will be a major challenge: it will require change on a massive scale, strong global cross-sectoral action and commitment, and a strong policy framework.
- While the costs and investments seem manageable at a global level, they are likely to be challenging for individual sectors.
- Delays in action of even 10 years would mean missing the 2° target.

The study furthermore calls for **efficiency standards** to overcome the "market imperfections" that prevent energy efficiency opportunities with net economic benefits from being realised. It says the governments need to create stable and long-term incentives to promote low-carbon energy sources and discourage emissions of CO₂.

⁸⁸ *Pathways to a low-carbon economy*, McKinsey and Company, published 26 January 2009.

Uncertainties inherent in green stimulus

So what could be the role of "green stimulus" in the recovery in Europe? A framework to think about government intervention for a new green global recovery is to differentiate between the economic and the environmental effectiveness of green stimulus plans.

Environmentally, the issue is about strategic design, what works, and on which schedule. Economically, it is about speed and scope, how quickly and how broadly the money is put to work. Even the highest sums spent today by the public sector will be worth little unless this momentum is maintained, and the investment is at some point carried independently by the markets. However, the government needs to be a driver to these technologies as any necessary clean energy projects initiated today will only be productive in the long term due to high up-front costs of investment. Uncertainties and scopes of the undertaking might be too high for the private sector alone to manage.

However, it is also clear that continued government investment alone will not make a sustainable strategy. At the World Economic Forum (WEF) in Davos in January 2009, a study was released by the WEF staff arguing that at least USD 515bn will have to be invested in clean energy every year between now and 2030 to keep global warming below unsustainable levels, which is over three times the amount invested last year.⁸⁹

When designing stimulus packages within anti-cyclical macro-management frameworks often the benchmark is set on increasing growth prospects in the years to come, usually **short- to mid-term**. This is especially true for the present state where public fiscal problems in the EU are overriding all other concerns. However, the variable that policy should also be targeting with at least as much importance is **long-term development, or potential growth**. This potential growth should fulfil the quality requirements in terms of sustainability set in chapter 1 above. Empirically, potential growth is difficult to calculate with certainty, and that is one of the major reasons why these policies have often failed.

On the other hand, caution and care are needed. It is questionable whether a national government campaign to bring about employment and growth in green projects always and everywhere will have a net economic benefit. **Government involvement** always implies a distortionary impact on the market (whether good or bad), and it could prematurely force businesses to abandon current production technologies for more expensive ones. The danger here is that a government is not likely to have the best information in terms of which technology to support, i.e. which one has the highest potential growth impact. Also, one should not mistake a labour-intensive clean energy sector as a goal in itself, but the efficient provision of (clean) energy should be the goal. Furthermore, counting jobs created on the renewables side should be counterbalanced by counting jobs lost in the traditional industries, to gain proper idea of the net effects (see also below).

The role of the private sector

The web of public policies that are in place to support clean renewable energy will most likely not be enough. Therefore, the private sector and market forces need to be on board early. **Without private finance, liquidity in the markets will be lacking.**

An issue that is essential in the economics of developing and fostering new technologies and laying the basis for a new era is the role of the price of energy and the financial markets. With the financial crisis and downturn, prices of energy and carbon fell. This makes, *ceteris paribus*, clean renewable energy more expensive and less competitive. End 2008- beginning 2009 was the period where private investment in renewable energy reached a low bottom.

⁸⁹ <http://www.weforum.org/pdf/climate/Green.pdf>. The study identifies onshore and offshore wind, photovoltaic solar and thermal solar electricity generation as an example of a green energy sectors that will enable the required transition to a low-carbon economy, alongside municipal solar waste-to-energy, sugar-based ethanol, cellulosic and next-generation biofuels, and geothermal power.

Global investment in clean energy was \$162 billion in 2009, down 6% from a revised \$173 billion in 2008.⁹⁰ Some growth has returned into this sector since the Q1 of 2009, however still far from the previous levels. Share prices of clean energy companies in 2010 were, on average, only about half their peak levels of late 2007, and banks in most of the developed world (EU & USA) have been taking longer to approve loans to renewable energy.

The concerted effort requires as vital elements of the policy mix a monetary environment that provides enough liquidity, a **fiscal stimulus for clean renewable energy and energy efficiency** as well as the redesign of some public incentives (e.g. in the tax system) towards energy efficiency and clean technologies.

2.3. Green Jobs for a more sustainable and inclusive society

The transition of European economies from polluting to eco-efficient and low carbon economies will imply substantial changes in production, distribution and consumption. But economic growth and environmental friendly actions are not necessarily mutually exclusive priorities. Climate change adaptation represents both a challenge and an opportunity for developing new technologies and creating new green jobs.

The last Euro barometer⁹¹ survey shows that the first citizen concern is still **employment**. The same Euro barometer survey shows that European citizens rank on the almost the same level of priority the modernising labour markets with a view to raising employment levels (76%); helping the poor and socially excluded and enabling them to play an active part in society (75%) and a greener economy (73%).

In a recent resolution⁹², the EP called for the development of a **European job strategy for a sustainable economy** as part of the EU 2020 strategy, aiming at optimising job potential whilst paying special attention to decent work, employees' health and safety, skills needs and a socially just transition.

Jobs potential in renewable energy and energy efficiency

According to the literature⁹³, the transition to a low carbon economy and climate change policies will lead to job creation in some sectors (e.g. related to renewable energies source, energy efficiency, carbon capture storage, etc), while some jobs will be lost in others (e.g. related to fossil fuels and production of inefficient products). In general, many studies highlight that **the overall net effect is likely to be positive**, as jobs in less labour intensive industries could be replaced by jobs in more labour intensive ones, or in sectors with longer value chains – hence having wider effects in the economy.

A 2009 Greenpeace study⁹⁴ found that without measures to make the shift to clean energy, there will be wide losses – half a million- in energy supply jobs between 2010 and 2030. With policies to create an "Energy Revolution, there would be more than **8 million jobs in renewable energy and energy efficiency** in 2030, more than three times as many as with a 'business as usual' approach".

⁹⁰ Report Global Trends in Sustainable Energy Investment 2010, Bloomberg:

http://www.newenergyfinancesummit.com/images/menu/News/global_trends_in_sustainable_energy_investment_2010_report.pdf.

⁹¹ Euro barometer 73- August 2010

http://ec.europa.eu/public_opinion/archives/eb/eb73/eb73_first_en.pdf

⁹² **EP Resolutions** adopted in plenary on 7/09/2010- SCHROEDTER INI report- "Developing the job potential of a new sustainable economy"

<http://www.europarl.europa.eu/oeil/file.jsp?id=5838342>

⁹³ **Recent Studies in POLDEP A:** "The impact of climate change policies on the employment situation": Summary of evidence note. April 2010

http://www.ipolnet.ep.parl.union.eu/ipolnet/webdav/site/myjahiasite/shared/poldepa/employment_social/empl_2_010_02_pe433456_en.pdf

⁹⁴ <http://www.greenpeace.org/raw/content/international/press/reports/working-for-the-climate.pdf>

Box 2: Impact of climate change policies by sectors

The sectors where the employment potential is most pronounced are **renewable energies** (even after taking account of reduced conventional energy activity), followed by **green transport** infrastructure and technology and investment in the **energy efficiency** of goods and services.

Sectors which are the greatest contributors to greenhouse gas emissions are supposed to experience major changes: **electricity, transport, construction** and **energy-intensive industries**.

In economic restructuring towards sustainability, some sectors, such as **coalmining** and other **heavy industries**, will decline causing some sections of society to experience losses, but no sector will disappear. Large-scale redistribution of jobs will probably occur within sectors, considering lower retraining costs and shorter search periods for the new workforce. For example, the **automotive industry** is likely to manufacture hybrid, low-emission vehicles instead of inefficient cars, and is likely to retrain its employees in accordance with new necessities.

Source: Green economy, CEDEFOP Skills net Sector Flash, June 2009, 4 p. and Thematic Expert Work on Green Jobs for DG EMPL/D1, GHK and European Employment Observatory (EEO), Thematic Paper, August 2009, 50 p.

New Skills for Green Jobs

Many of the skills needed for low-carbon jobs can be found in existing occupations, thus **upskilling** appears more effective than developing new green skills⁹⁵. But still, some sectors will require significant investment in skills because of the wide gap in technologic innovation, for example, for energy efficiency and construction of zero-carbon homes.

Moreover, the EU suffers from deficits in **management skills and technical**, job specific skills, many of which are related to science, technology, engineering and mathematics (referred to sometimes as **STEM**). In some EU countries, there are even not enough new engineers to replace those who are retiring, resulting in a shortage of people with the skills to deliver major infrastructure projects.

Regarding **the low skilled workers**, the social partners recommend paying special attention to the many jobs in the middle and lower qualification bands in the sustainable economy, as well as **unskilled but specialised workers**. Due to lower level of organisation of employees and of employers in some new sectors, there is a risk of precarious employment relationships and poor working conditions. Thus, social dialogue and new framework conditions for establishing representative bodies in these new sectors must be encouraged.

To meet these challenges, **education and training** systems will need to supply a well-trained, highly skilled labour force as well as new lifelong learning strategies⁹⁶.

A recent study⁹⁷ by ETUC states that "deregulated low carbon policies contain the recognised danger of accelerating the de-industrialisation of the European economies". To cope with this, they call for **new industrial policies** both aiming at combating carbon leakage and at organising the widespread use of clean and low carbon technologies.

⁹⁵ Cedefop: Skills for green jobs: European synthesis report 30 July 2010

⁹⁶ Future skill needs for the green economy, CEDEFOP Research Paper, October 2009, 99 p.

⁹⁷ ETUC study: "Climate change, the new industrial policies and ways out of the crisis", October 2010, http://www.europarl.europa.eu/meetdocs/2009_2014/documents/empl/dv/empl_etuc_study_/empl_etuc_study_e n.pdf

2.4. ICT for a more sustainable and inclusive society

The **ICT sector is already showing signs of recovery** and is expected to grow globally by 3-4% in 2010. Employment dropped in ICT goods sectors during the crisis and has mostly remained flat in ICT services. Since 2010 employment is again on the rise.⁹⁸

The eSkills monitor⁹⁹ provides a forecast in European ICT labour market trends. The researchers predict that after the crisis the demand for ICT specialist is set to grow and by 2015 the EU labour market may face an **excess demand of 384,000 ICT practitioners**.

As a **response to the economic crisis** most governments gave the ICT sector increased attention. Programmes have been launched in the following areas:

- ICT skills and employment
- Broadband
- R&D programmes
- Venture finance
- Enabling environmental impacts of ICTs¹⁰⁰

At the European level the action plan to exit to the crisis and to respond to the challenges of the next decade is spelled out in the "**Digital Agenda for Europe**"¹⁰¹, one of the flagship initiatives of the EU2020 strategy. The thrust of the actions are centred around 8 key themes:

- A vibrant digital single market
- Interoperability and standards
- Trust and security
- Fast and ultra fast internet access
- Research and innovation
- Enhancing digital literacy, skills and inclusion
- ICT-enabled benefits for EU society
- International aspects of the Digital Agenda

Cloud computing, green ICT and "smart" applications are areas where growth is expected to take place in the future. These are areas that have **positive societal impact as well and a beneficial effect on the environment**

Smart grids enable an efficient energy distribution and smart meters help **reduce energy consumption**. The use of ICT has also a significant potential in **greening transport** with the roll-out of intelligent transport systems and energy efficiency improvements in vehicles.

An extensive study has been recently carried out for the European Commission on the **social impact of ICT**. Some of the main findings of the study suggest that instead of having a revolutionary effect, ICT have often turned out to have a complementary effect, enhancing and subtly changing societal patterns and trends. ICT reduced the barriers to participation in collaborative online activity and had a positive impact on feelings of empowerment¹⁰².

The social impacts of ICT are wide-ranging. Use of ICT tools could have a positive effect on **work-life balance** and job satisfaction. Internet is increasingly used as a direct **learning**

⁹⁸ OECD Information Technology Outlook

⁹⁹ <http://www.eskills-monitor.eu/>

¹⁰⁰ *ibid*

¹⁰¹ http://ec.europa.eu/information_society/digital-agenda/index_en.htm

¹⁰² Study on the social impact of ICT, European commission 2010

tool. eHealth technologies enable to provide state-of-the art health care services to people in remote areas and **eGovernment services** contribute to building a more inclusive and participatory society.

3. Questions for debate

What are the effects of the crisis on the economy, on the society and on living conditions?

Which environmental and societal challenges have to be addressed? and based on which new sustainability indicators?

It is possible to build a new Model of European Society, one that guarantees sustainable and inclusive growth, creates employment and reduces poverty?

Where are the most vulnerable members of society located and can their habitation drive them to a precarious existence?

How can the root causes of energy divide be addressed and the social consequences (e.g. health care expenses and costs of social reinsertion) be avoided (for example increasing competition in energy markets to drive prices down, improving insulation, investing in energy efficiency, social pricing, etc.)?

Housing and mobility are two main factors that can improve their life or allow them to play an integral role in society. How can both factors be addressed and which proximity solutions could be developed to help them concretely? (For example, a better developed digital network to give access to online public services, eHealth services and websites to find jobs, or local initiatives to provide information on ecological practices, car-sharing initiatives, etc...).

How to tackle the issue of Digital divide? How can digital skills be improved to enhance employability and ensure a more even participation in society?

Which improvements in the transport network and in the urban environment could help the most vulnerable people have a better access to employment opportunities and public facilities?

Which "green" fiscal instruments (green taxes, eco-loans, free energy audit in housing, etc...) could be specially framed to help the most vulnerable people to face the green transition? How could green taxes create incentives for renewable and sustainable practices?

How can investment in ICT lead to increased sustainable growth and a more inclusive and participatory society?

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