

BACKGROUND DATA FOR OXFAM'S BRIEFING 'A EUROPE FOR THE MANY, NOT THE FEW'

Exploring inequality data for 28 countries in
the European Union

DEBORAH HARDOON

Senior Researcher, Oxfam GB

The EU is a group of rich countries characterized by high incomes, stable institutions and home to 342 billionaires. It is also where 123 million people are at risk of poverty. Inequality is an unacceptable injustice. Inequality in the EU is discussed in Oxfam's policy briefing '[A Europe For the Many, Not the Few](#)'. By drawing on available data on inequality, this report provides the empirical foundation of the briefing. We invite you to dig into the data, both in this paper and online, to take a closer look at inequality in EU countries – its trends, causes and consequences.

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1 EXECUTIVE SUMMARY

Extreme economic inequality can, at its most simple, be understood as the difference between the richest people and the poorest. However, there are multiple ways to understand and measure this difference, and inequalities occur across the economic spectrum. This research briefing makes use of existing datasets to understand the different aspects of economic inequality and how it can manifest itself within a country. Specifically, this paper explores data on the 28 countries within the European Union and provides an empirical basis for many of the findings in the accompanying Oxfam policy report ‘A Europe For the Many, Not the Few’.

This paper draws on data available at the national level, exploring inequality dynamics within each of the 28 countries. While the focus is at the country level, this is a coherent group of countries to be analysed collectively due to their geographic proximity and because they form a common market and share policies made at the EU level. Importantly for this research briefing, comprehensive and consistent data are also readily available for this group of countries.

To understand and analyse inequality, it is necessary to look at the whole of the distribution. This paper draws on data identifying the poorest people in Europe: in 2013 more than 48 million people were unable to meet their basic material needs, an increase of 7.5 million since 2009. Meanwhile, data on the richest people over the same 2009–13 period show that the number of billionaires in the EU increased from 145 to 222, and that number has continued to rise, with 342 billionaires in 2015.

At the national level, degrees of economic inequality and the concentration of income within different groups vary. In Greece, for example, the difference between the incomes of rich and poor people is one of the biggest in the world, as the country struggles with high levels of unemployment, trapping millions in poverty. The UK and Germany also have some of the highest levels of income inequality, before taking into account taxes and transfers, and are also characterized by the very richest 1 percent capturing the lion’s share of income and a rapid increase in the wealth held by billionaires.

The differences demonstrate that the high and rising levels of inequality seen in many countries are not inevitable. This briefing also provides an introduction to some of the barriers to reducing economic inequality, including persistent gender discrimination and undue influence over policies and regulation by people with wealth and power who seek to maintain their elite positions. The extent to which these barriers exist again varies by country and illustrates the potential for purposeful choices made by governments to remove them. Slovenia, for example, a country with one of the lowest levels of income inequality, also has one of the lowest gender pay gaps and the strongest regulations on lobbying.

All of the data presented in this research briefing are also publicly available online through [Oxfam’s interactive data explorer](#). You are invited to analyse the data yourself to further explore the empirical data that lies behind some of the inequality debate.

2 INCOME DISTRIBUTION IN EUROPEAN COUNTRIES

The European Union is a group of rich nations. Apart from Hungary, Bulgaria and Romania, three countries classified as upper-middle-income, all the other 25 of the EU's 28 members are high-income countries.¹ In 2014 people living in EU countries had an average GDP per capita of €27,300.² Countries in the EU are home to pockets of extreme affluence, where billionaires and their assets thrive. The number of billionaires in the EU has increased from 145 in 2009 to 342 in 2015; Europe's luxury goods sector grew by 28 percent between 2010 and 2013.³

But within the EU there are many people who live on incomes well below the average, with unemployment, exclusion and poverty blighting lives across the region. Almost one European in every four – a total of 123 million people – is at risk of poverty, with an income of less than 60 percent of the average. Of these 123 million people, 48 million are unable to meet their basic material needs – with an increase of 6.5 million between 2010 and 2013.⁴

This section analyses the extent of economic inequality in the different EU countries, looking at different measures for income and wealth and, where possible, identifying trends in each country over time.

2.1 INCOME INEQUALITY (BEFORE TAXES AND TRANSFERS)

To begin understanding how incomes in EU countries are distributed, this section looks at the differences between how much people earn through employment and other income-generating activities. This is the market level of income inequality, which explicitly does not take into account redistribution of income through taxes and transfers (this is addressed in section 2.3). Measuring market income inequalities helps to explain the different rewards that people receive from their employment and investments, how earnings vary across sector and job class and the proportion of people who do not earn an income and are dependent on welfare systems for support.

Using the Gini coefficient – which measures the degree of inequality in a country on a scale from 0 (perfect equality) to 100 (perfect concentration) – for market incomes shows that the most egalitarian countries in the EU are Slovakia, Malta, the Czech Republic and Slovenia, which have Gini coefficients of less than 45 (see Figure 1). The low levels of inequality in market income are helped by relatively favourable labour market conditions in the Czech Republic and Malta, with unemployment rates of 6.1 percent and 5.9 percent respectively.⁵ Slovakia is aided by having favourable demographics, with a relatively high proportion of people of working age compared with children and pensioners, which is reflected by the lowest dependency ratio in the EU, at 40.6 percent.⁶

Greece, Germany, Portugal and the United Kingdom are the most unequal countries in terms of market income, with Gini coefficients of 50 and above. For Greece and Portugal, this coincides with two of the highest unemployment rates in the Union, of 28 percent and 16 percent respectively. In all four countries, a

503 million people live in the 28 EU states,¹ a club of predominantly high-income countries.

123 million people in the EU are at risk of poverty, six million more women than men.

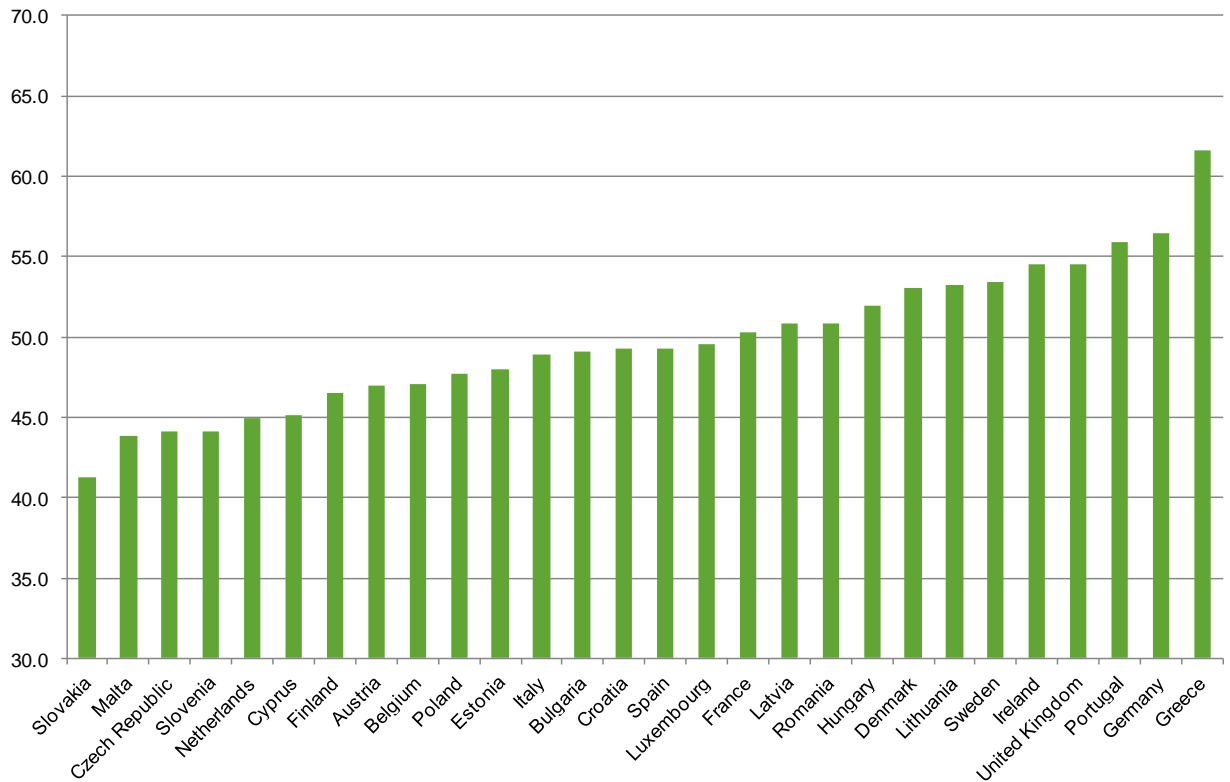
342 billionaires are citizens of EU countries

Greece has the highest level of market income inequality, and an unemployment rate of 28 percent.

Slovakia has the lowest Gini ratio at 41, and one of the highest proportions of the population of working age.

large proportion of the population is not of working age, with dependency ratios of over 50 percent. Looking at the top of the income distribution, the World Top Incomes Database shows that the incomes of the top 1 percent in the UK in particular have been pulling away, with this small group taking home more than 15 percent of the country's total income, a huge increase from just over 6 percent in 1980.⁷ This is a higher proportion than for any of the 10 other European countries for which data are available. This contrasts with the more egalitarian Netherlands, where the top 1 percent have a relatively smaller 6.3 percent share of total income, the lowest of any country where data are available.

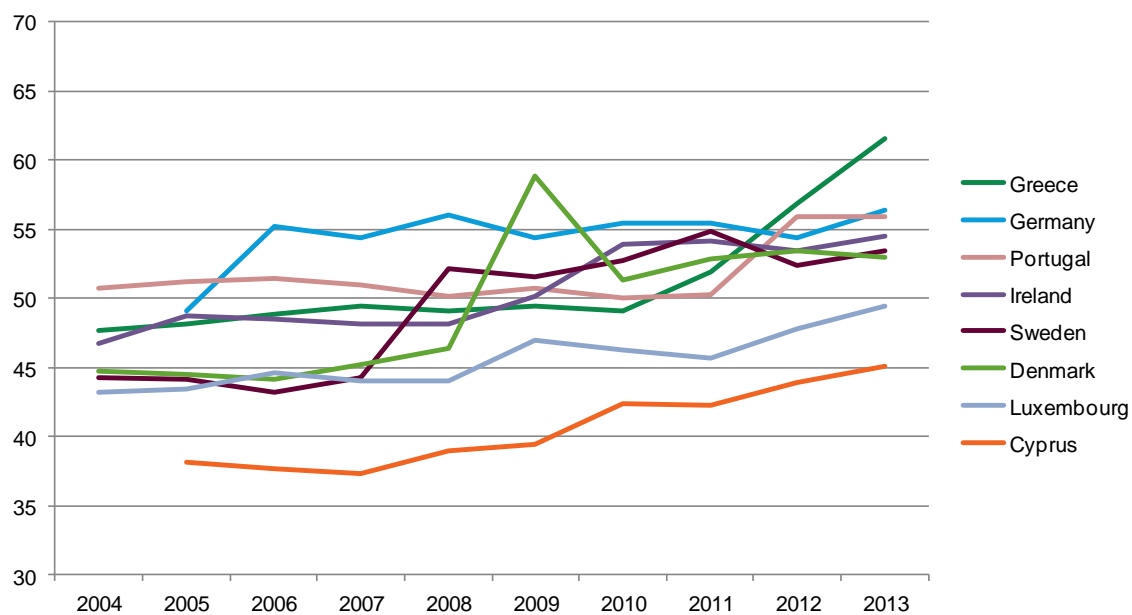
Figure 1: Market income inequality measured by Gini coefficient



Source: Eurostat data (2013), <http://ec.europa.eu/eurostat/data/database>

Looking at how the level of inequality in market income has risen over the past decade, Greece has seen the largest increase in its market Gini ratio over this period, from 47.7 to 61.6, which is now the highest in the EU. Sweden has seen the next biggest increase over the period of 9.1 points on the Gini scale, from 44.3 to 53.4. Figure 2 shows the market Gini ratio for the eight countries that saw the biggest increases in market levels of inequality, of five points of more, between 2004 and 2013. Apart from Cyprus, these are all 'old EU' countries, with Luxembourg, Denmark, Sweden, Germany and Ireland also being among the richest countries in the Union in terms of income per capita.⁸ The trend that we have seen for the past decade in Finland, Germany, Luxembourg and Sweden follows a sustained increase in inequality since the mid-1980s.⁹

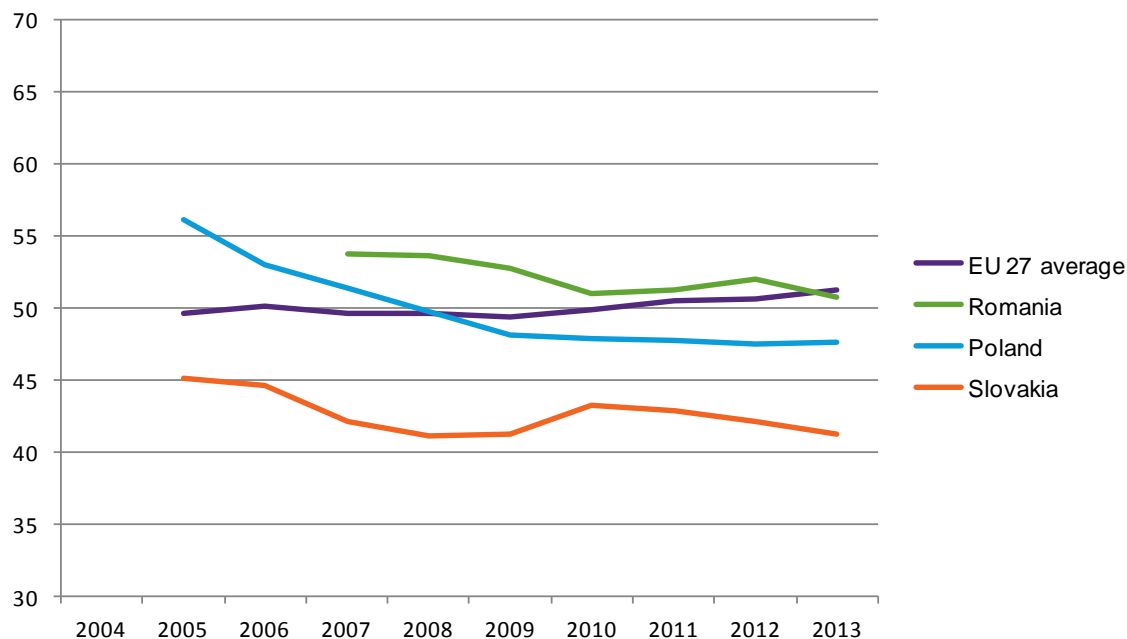
Figure 2: Market income Gini in eight EU countries where it has increased by more than five points in the past decade, 2004–13



Source: Eurostat data (2015), <http://ec.europa.eu/eurostat/data/database>

At the same time, some countries have shown progress in reducing the level of market income inequality over the past decade. Poland and Slovakia joined the EU in 2004 and Romania in 2007, and since then their market level Ginis have declined by several points. (See Figure 3) For these countries, this helped to reverse a rapid increase in their Gini ratios between the late 1980s and early 2000s following the break-up of the Soviet Union.¹⁰ For most other countries in the EU, the market-level Gini has remained relatively stable over the past 10 years.¹¹

Figure 3: Decreases in market income Gini in three countries and the EU27 average, 2004–13



Source: Eurostat data (2013), <http://ec.europa.eu/eurostat/data/database>

Box 1: Using the Gini coefficient to measure income inequality

The Gini coefficient, though commonly used (including throughout this briefing), is an imperfect measure of income inequality. It is a simple statistic that attempts to measure the extent to which the distribution of income in a given economy diverges from perfect equality. A Gini of 0 would imply perfect equality where everyone has an equal share, while a Gini of 100 implies perfect inequality where one person has all the money and everyone else has nothing. However, with Gini scores typically falling in a range of between 25 and 65 at the national level, it is impossible to identify from this single metric what the economic distribution actually looks like and, specifically, implicitly gives more weight to inequalities at the middle of the distribution. In contrast, the Palma ratio compares the income of the top 10 percent of people with the incomes of the bottom 40 percent and in so doing explicitly gives more weight to the differences in income at the very extreme ends of the distribution. It is also more intuitive to interpret.¹²

Both the Gini and the Palma methods suffer from the limitation that they are usually based on household survey data. Fortunately for the purposes of this report, such data are readily available in EU countries (Oxfam has relied largely on Eurostat data). This is in contrast to many developing countries, where up-to-date and reliable data are much more scarce, which severely limits the scope for analysing issues such as income distribution.¹³

However, all household surveys suffer the limitation that, despite the best intents of surveyors, they tend not to capture the very extremes of the distribution and are unable to survey those who do not have a household (address, telephone number, etc.), while those at the very top of the distribution tend to be harder to capture and tend to under-report their income and wealth when they are included. This is explicitly noted in the methodology of the Eurostat data, which relies on the Statistics on Income and Living Conditions (SILC) instrument: 'Non-response is a potential source of bias particularly if the non-responding units have specific survey patterns ("non-ignorable" non-response). For instance, one might expect persons with high incomes to be more reluctant to give income information to an interviewer, thus making the upper income class under-represented in the sample and the estimates downwardly biased.'¹⁴ In addition, people may not accurately declare their incomes in these surveys, for example, by deliberately hiding incomes associated with tax avoidance mechanisms. As a single measure for the whole of the income distribution, the Gini hides many important factors in how income is distributed over time and space, most notably not providing information on the depth of poverty and the extreme levels of wealth that coexist.

Despite these limitations, the Gini ratio remains a useful indicative source of information about income distribution at the national level and is a metric that is available for all EU countries, before and after taxes and transfers for any period of time. It can also be compared with other data sources that present the Gini as a measure of inequality in order to test the robustness of these sources. As part of this research, Oxfam tested the correlation between the Gini and the Palma ratios for the data on the 28 EU countries and found an almost perfect correlation,¹⁵ such that the Gini can be found to provide an accurate proxy for the Palma. This briefing has therefore used the Gini throughout and has included complementary data on the Palma, and on top incomes and the top of the wealth distribution where data are available.

2.2 CONTRIBUTION OF PAY DISPARITIES TO INCOME INEQUALITY

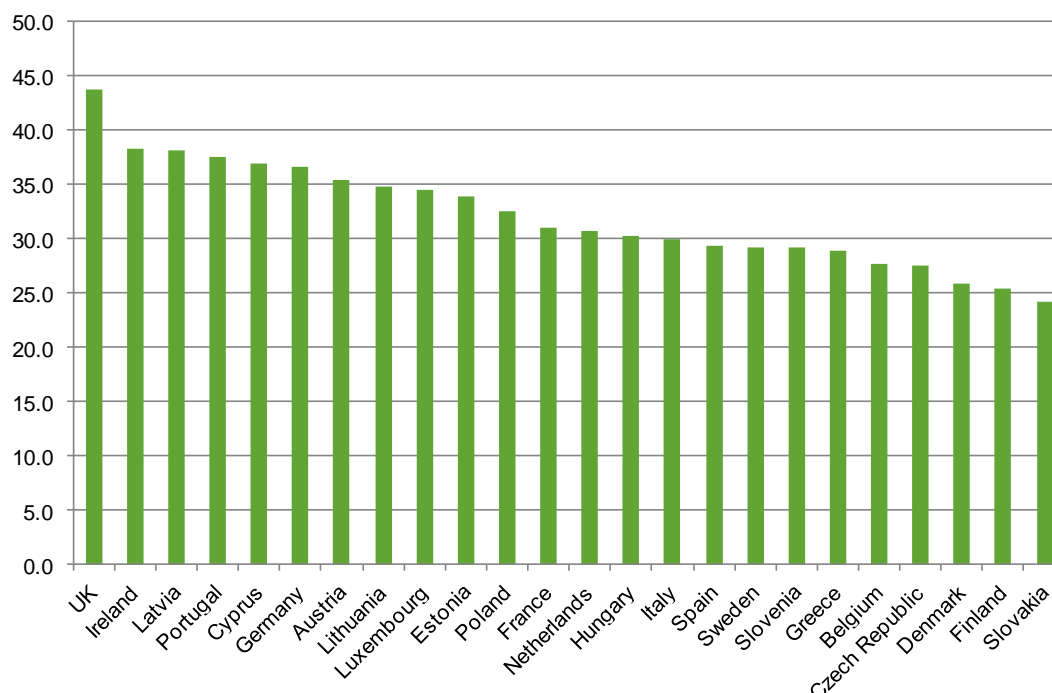
Employment is the dominant source of income for most people within the EU, and differences in earnings have a large role to play in the overall income distribution.¹⁶ People at the very bottom of the earnings ladder include those who are not working at all, but precarious, low-paid and part-time work also leaves many people trapped at the bottom of the distribution. Eurostat data show that over 9 percent of employed adults in the EU find themselves facing poverty.¹⁷ It is not just those in the most precarious work who are falling behind: in many countries in the EU, the average worker is earning less in real terms. An IMF study found that Spain and Greece in particular have seen the workers' share of national income fall significantly further behind in the years since the financial crisis.¹⁸ Jobs markets in European countries are becoming increasingly polarized as the number of employees in managerial and professional positions increases, along with the number of very low-paid personal services workers. Meanwhile, the employment share of middling manufacturing and routine office jobs is declining.¹⁹

The UK has the highest level of inequality of wages, with a Gini ratio of 43, and the average FTSE 100 CEO earns 130 times as much as the average employee.

Slovakia has the lowest level of pay inequality of all countries within the EU.

Data on the distribution of monthly wages in EU countries, which provide information about the distribution of pay from available jobs in the market, again put Slovakia at the most egalitarian end of the chart, while the distribution of full-time equivalent wages was highest in Portugal, Latvia, Ireland and the UK (Figure 4).²⁰ In the UK in particular, recent data from the High Pay Centre show that the average salary of a CEO of a FTSE 100 company is 130 times higher than the salary of the average employee²¹ – a dramatic increase from an already obscene 47 times higher back in 1998, and one which highlights the extreme and growing level of inequality within the workplace.

Figure 4: Gini coefficient for full-time equivalent monthly wages, 2011

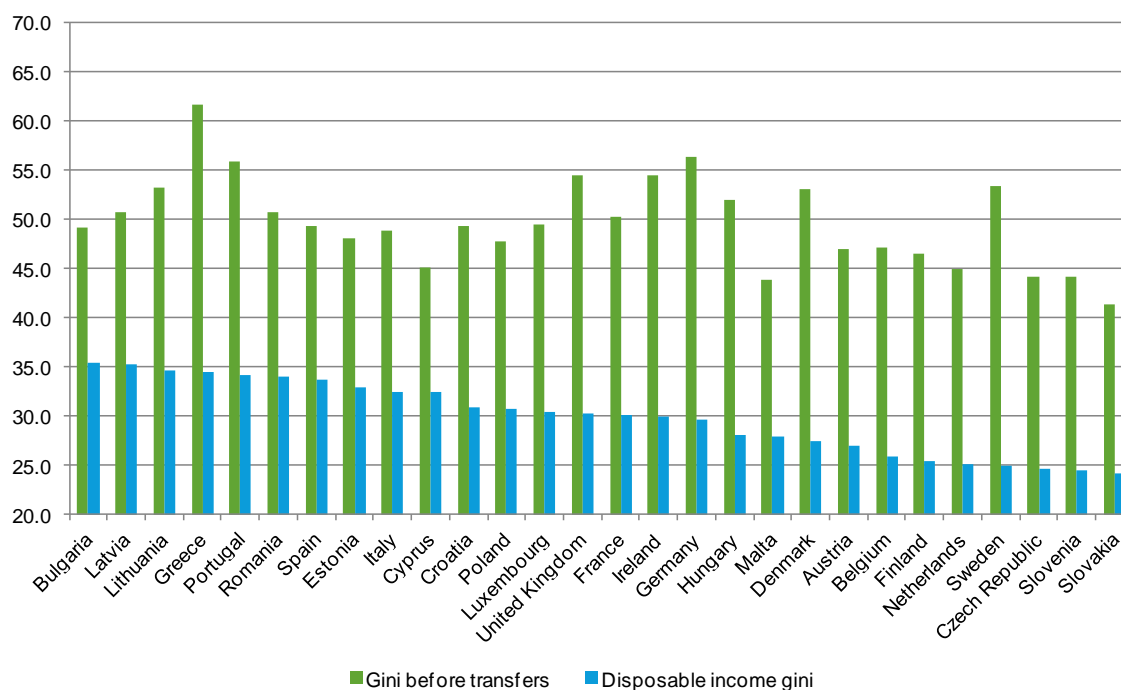


Source: EU-SILC data (2011), <http://www.eurofound.europa.eu/publications/report/2015/working-conditions-labour-market/recent-developments-in-the-distribution-of-wages-in-europ%C3%A9>

2.3 TAXES AND TRANSFERS FOR REDISTRIBUTION

In all EU countries, governments attenuate the market distribution of income by lowering some people's incomes through taxes and increasing others' effective income through transfers such as unemployment benefits and pensions or providing free public services. As a result, the level of income inequality after these adjustments have been made looks remarkably different for many countries in the EU compared with the market levels described above. Slovakia, Slovenia and the Czech Republic remain among the most egalitarian countries in the Union, with Gini ratios after taxes and transfers of less than 25. However, Sweden, Denmark and Germany, which previously exhibited high market income inequality, now appear at the more egalitarian end of the scale (see Figure 5), as these countries have large redistributive mechanisms through their tax and transfer systems. At the other end, Greece and Portugal remain among the most unequal countries. They are joined by Bulgaria, Latvia, Lithuania and Romania, countries which, despite having lower levels of market income inequality to start with, do comparatively less to redistribute income through taxes and transfers.

Figure 5: Countries ordered by Gini before and after taxes and transfers (including pensions), 2013



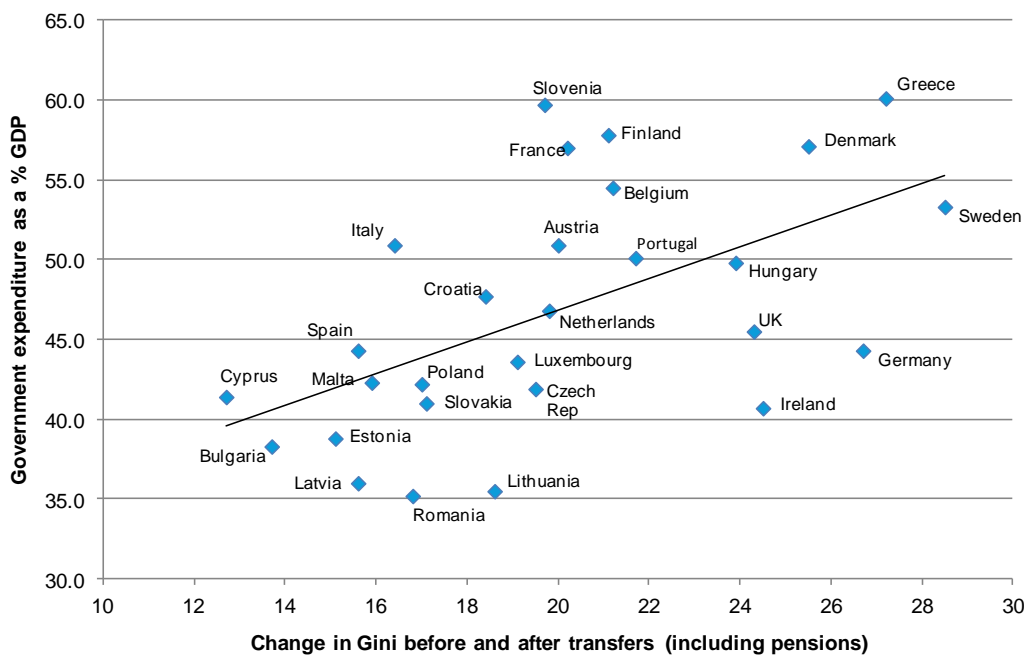
Source: Eurostat data (2013), <http://ec.europa.eu/eurostat/data/database>

Taxes serve a number of purposes for governments beyond simply raising revenues. They are used to shape economies and behaviours by incentivizing and discouraging certain activities and behaviours. Similarly, government expenditure is designed to meet a country's multiple needs, primarily to ensure that all citizens can meet their own basic needs and enjoy their rights to health and education, and also to fund national and local public goods, from security to infrastructure. The redistributive function of taxes and transfers must therefore work alongside these other objectives of government policy, which generally means that governments are careful to levy taxes on those people who can afford them most and ensure that the benefits of public spending reach those

most in need. However, increasing the amount of tax revenue raised and public money spent is not enough to ensure that this function is redistributive. Figure 6 shows a weak correlation between the expenditure-to-GDP ratio, a measure for the relative size of the government, and the absolute difference between Gini ratios before and after taxes and transfers – in other words, the size of the redistribution.²² At the bottom corner of the chart, Lithuania, Latvia and Romania have relatively low levels of government expenditure and achieve low levels of redistribution through this function. At the same time, however, high levels of government expenditure do not necessarily translate into greater redistribution. The spending of the governments of both Hungary and Italy equates to approximately 50 percent of those countries' GDP, but through redistribution Hungary achieves a reduction in economic inequality of 24 Gini points, while Italy reduces the gap by just 16 points. Pensions are a good example of how government spending can result in transfers to the richest people, in cases where these are tied to previous earnings. In Italy, Spain, France, Portugal, Luxembourg, Austria, Poland, Hungary and Ireland, OECD data show that the richest quintile receive a greater share of social spending than the poorest quintile.²³ The optimal amount of redistribution depends upon the initial level of market-based inequality in a country, but it is clear that taxes and transfers can have a dramatically equalising effect, reducing the Gini score by more than 20 points in 11 EU countries if used progressively. Thus, it is not only how much governments are spending, but how progressive this expenditure is, sector by sector, policy by policy.

Bulgaria has the highest level of income inequality after taxes and transfers, with a Gini of 35. Despite starting from a relatively low level of market inequality, it has the second smallest absolute change in inequality through taxes and transfers, at just 12 Gini points.

Figure 6: Change in the Gini (before and after taxes and transfers) against government expenditure-to-GDP ratio



Note: R2 value measuring the extent to which the variation in one variable explains the variation in the other is a relatively low 0.3 – on a scale of 0 no relationship and 1 fully explained.

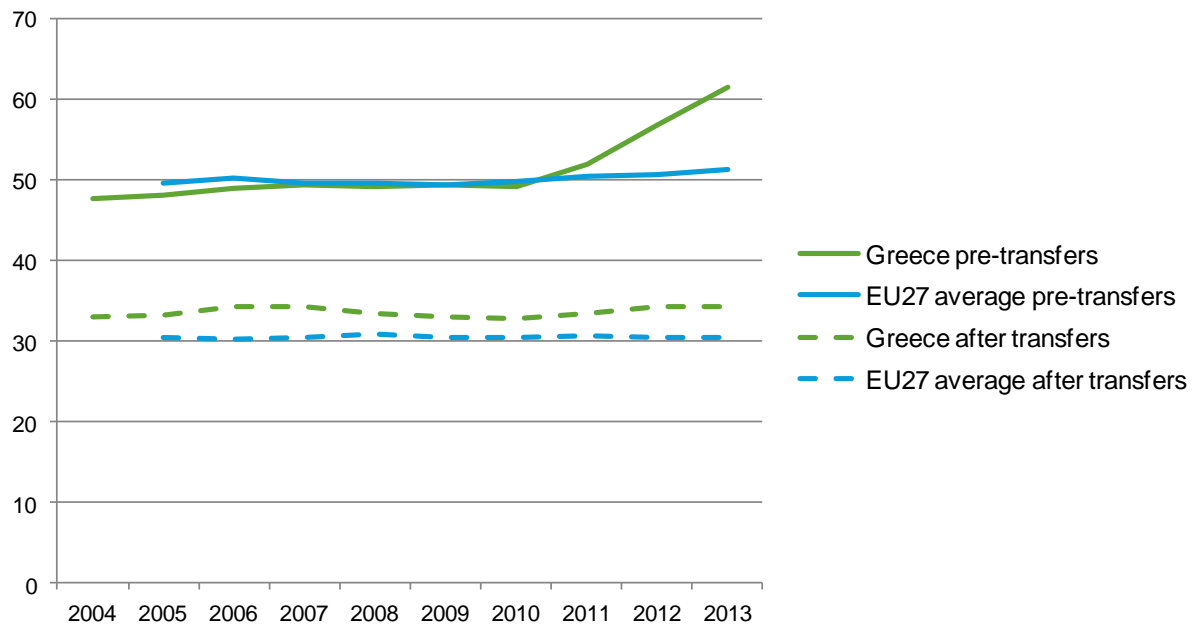
Source: Eurostat data (2013), <http://ec.europa.eu/eurostat/data/database>

The increases that were seen in pre-tax and transfer income inequality in the eight countries in Figure 2²⁴ are much more moderate when taxes and transfers are taken into account. This demonstrates how redistributive mechanisms from taxes and spending can be used to support the poorest people at times of need

Slovakia remains the most egalitarian country in the EU, with a post-tax and transfer Gini of just 24, a result of low levels of market inequality and a redistribution through taxes and transfers of 17 Gini points.

when market incomes are diverging. Greece, while having the highest levels of inequality in the Union after taxes and transfers, has managed to prevent this from rising further in the past few years as market levels of inequality have increased (Figure 7). The Gini average for the EU27 (excluding Croatia due to data limitations) post-taxes and transfers has remained stable, despite a marginal increase in market levels of income inequality.

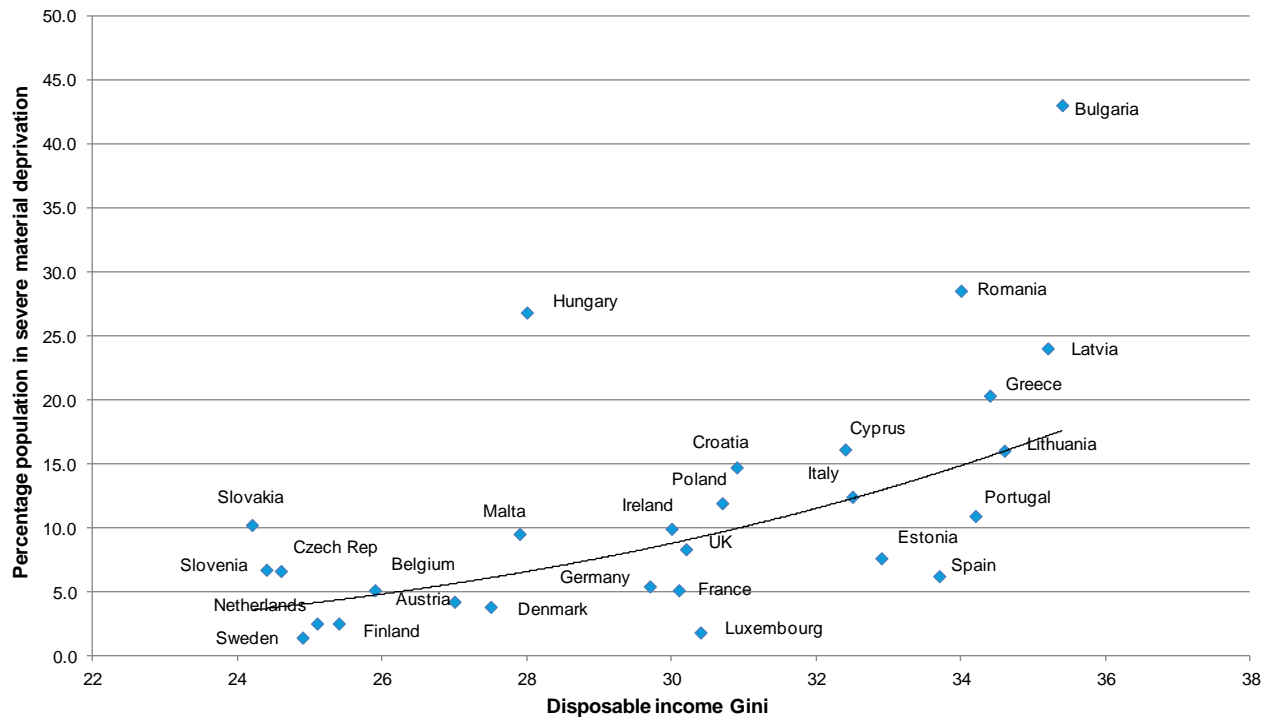
Figure 7: Trends in Gini pre- and post-taxes and transfers for Greece and EU27 average (excluding Croatia) 2004–13



Source: Eurostat (2013), <http://ec.europa.eu/eurostat/data/database>

Governments can use transfers to support those at the bottom of the distribution, to prevent them from falling into poverty. However, even after these taxes and transfers, 120 million people in the EU remain at risk of poverty and 40 million are unable to meet their basic needs. These 40 million people are classified by Eurostat to be living in ‘severe material deprivation’, which is defined as being unable to afford three out of nine specific items.²⁵ Figure 8 correlates the Gini coefficient of inequality against the proportion of people unable to meet their basic needs. It demonstrates clearly that in countries like Slovenia and Sweden where the distribution of income is fairer, the proportion of people in poverty is lower. At the other end of the scale, less equal countries like Bulgaria, Latvia and Greece have many more people in poverty.

Figure 8: Correlation of Gini coefficient, after taxes and transfers, against the proportion of people living in severe material deprivation



Source: Eurostat data (2013), <http://ec.europa.eu/eurostat/data/database>

Box 2: Austerity policies in Europe following the financial crisis

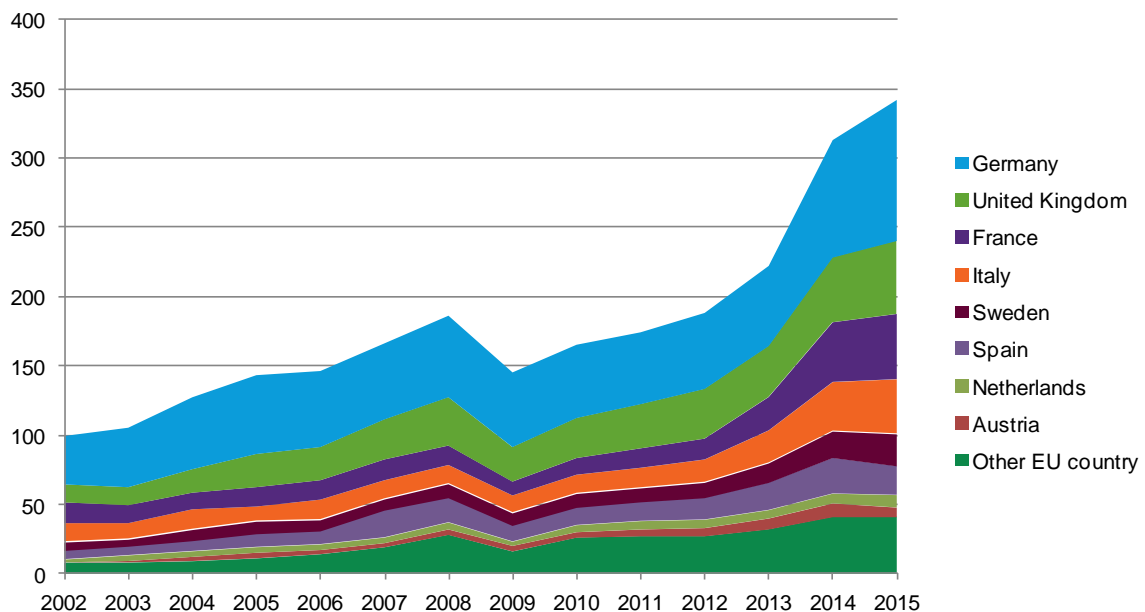
In most EU countries, pensions, healthcare and education account for the majority of public spending. Spending in these areas disproportionately benefits the poorest people,²⁶ but as this is where the majority of money is spent, it is also where cuts are made when budgets are tight, as has happened in the wake of the 2008–09 financial crisis. A recent study found that spending cuts in seven EU countries disproportionately affected vulnerable groups, including migrants, homeless people and women, in terms of their rights to decent work, healthcare and education.²⁷ Austerity in Europe has not only hurt the poorest but has made strategic and progressive reforms more difficult to implement. Continued unemployment reduces the overall productive power of the economy; more than half of young people in Greece, for example, have never experienced having a job.²⁸ Austerity has been marketed as a way for European countries to reduce their debt, but it is clear that to reduce debt countries need to grow, and austerity is not only anti-growth by reducing overall demand in the economy, but it hurts the poorest people most in the process.²⁹ Oxfam has calculated that an additional 15–25 million people could face the prospect of living in poverty by 2025 if austerity measures continue.³⁰

2.4 INEQUALITY OF WEALTH

Globally, wealth is much more unequally distributed than income, with extreme wealth much more concentrated in the hands of a few, leaving the majority of the global population with little or nothing in the way of assets. The distribution of wealth is related to, but not the same as, other welfare measures such as income or consumption. Looking at the distribution of wealth provides important information about those at the bottom of the distribution, who do not have the financial security to respond to shocks such as unforeseen health expenses or a fall in the value of their property, while at the top of the distribution wealth is an important source of both economic and political power.^{31 32} In 2014 Oxfam found that 80 of the richest billionaires on the planet had the same amount of wealth as the bottom 50 percent of people globally.³³ Data from Credit Suisse can be used to estimate how wealth is distributed within countries; the quality of data sources that capture wealth varies across countries, but there are 'good' data available for eight EU countries. In all of these eight countries, the top 1 percent of the population have more than 20 percent of total net wealth, while the bottom 90 percent of people have less than half the net national wealth. For all of these countries except the UK, the bottom 10 percent of the population have negative net wealth (i.e. debt).³⁴

At the very extreme levels of wealth, data from Forbes illuminate the net worth of individuals with more than \$1bn. In 2002, there were 99 billionaires resident in EU countries. By 2015 this has more than trebled to 342, as shown in Figure 9.³⁵ Germany and the UK, countries with some of the highest levels of market income inequality, also have the highest number of billionaires. Germany has the most US dollar billionaires, with an increase from 35 in 2002 to 102 in 2015, followed by the UK with an increase from 13 to 53. France now has 47 billionaires, up from 15, and Italy has 39, up from 13. The accumulation of wealth is increasingly being concentrated at the very top of the distribution. Not only has the number of billionaires increased, but so has their net wealth. Between 2014 and 2015 alone, the collective wealth of this elite group increased by \$52bn to \$1.4 trillion.³⁶ At least half of these individuals have inherited part or all of their wealth.

Figure 9: Number of billionaires who are citizens of EU countries, 2002–15



Source: Forbes, <http://www.forbes.com/billionaires/list/>

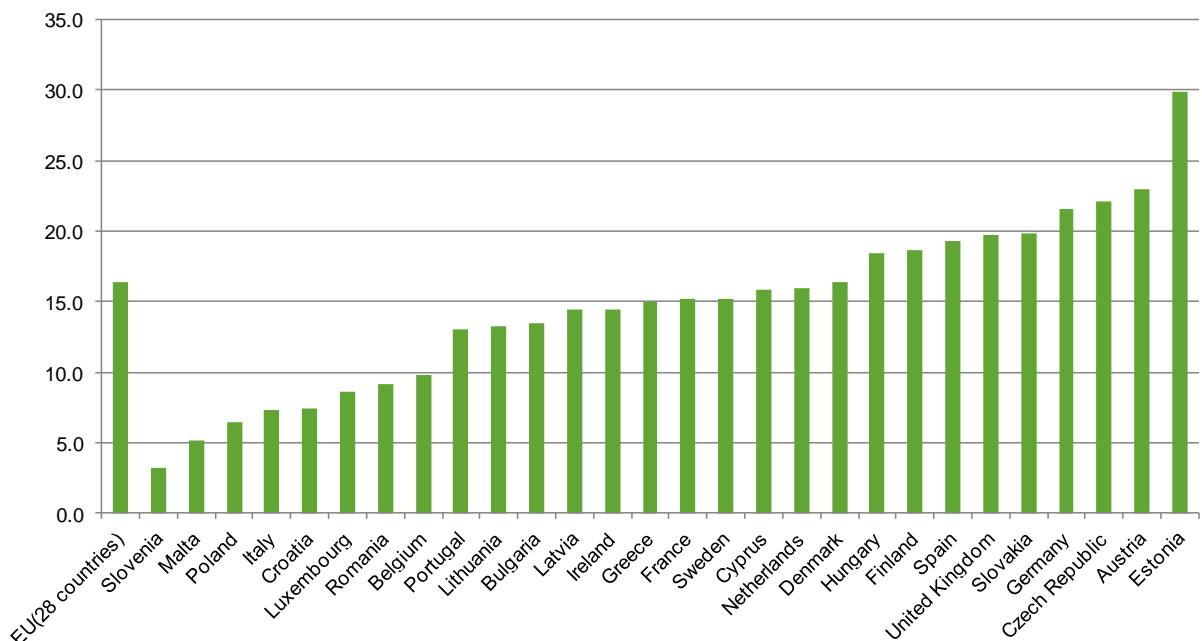
3 HORIZONTAL INEQUALITIES AND EXCLUSION

The country in which a person is born has a huge impact on their life chances. But there are other characteristics that result in arbitrary limitations or barriers to social and economic progress and keep people trapped at the bottom of the distribution. This can result in stubborn levels of inequality, where certain people are prevented from progressing up the economic distribution while others are afforded an unfair advantage.

3.1 GENDER INEQUALITIES

Whether a person is born male or female has an impact on where they are likely to sit on the income distribution. The billionaire dataset is a small sample of those at the very top of the distribution, but it is a powerful indicator of gender disparities, given that 85 percent of this group are male. Women are much less likely to gain entry to the billionaire club. At the same time, women are disproportionately at risk of poverty in the EU, with six million more women at risk than men. At work, the gender wage gap persists in Europe at 16 percent,³⁷ with women earning less than men for equivalent work. The variation between EU countries is substantial, with a pay gap as high as 30 percent in Estonia and as low as 3 percent in Slovenia, as shown in Figure 10. This is compounded by the fact that women are less likely to have ‘good’ jobs as opposed to subsistence or informal jobs: just 30 percent of women in Europe come into this category, versus 45 percent of men,³⁸ and women are more likely than men to be categorized as being in precarious work.³⁹

Figure 10: Unadjusted gender pay gap in EU countries (2013) – difference between women’s average gross hourly earnings as a % of male earnings

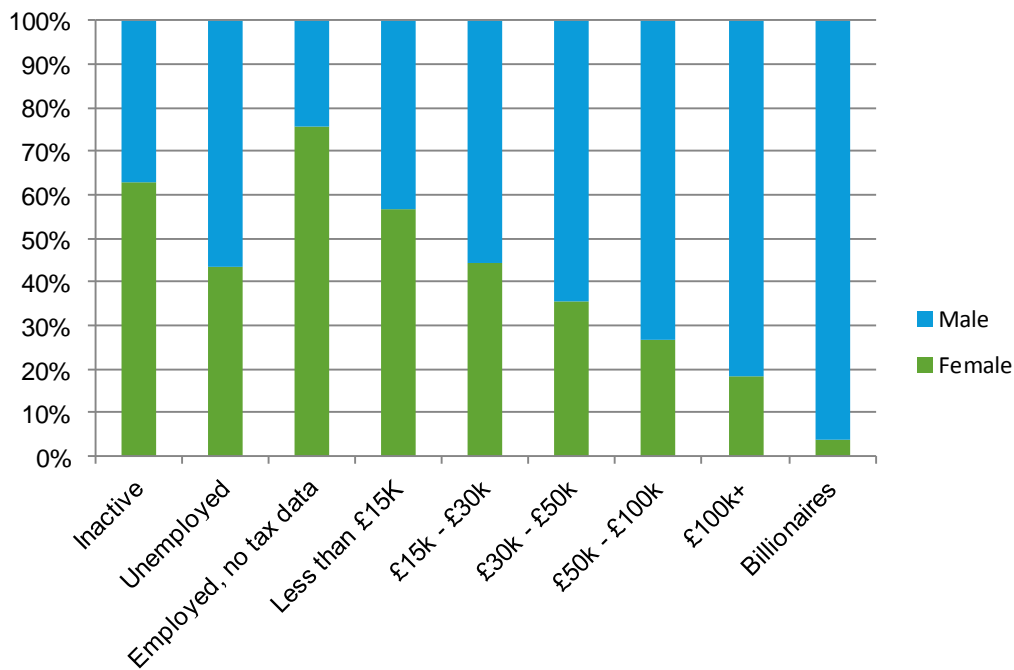


Source: Eurostat data, <http://ec.europa.eu/eurostat/data/database>

Not only are women in work getting the raw end of the deal, but domestically women spend more time in unpaid work, caring for the home and family and thus limiting their earning potential. Time use data collected for OECD countries reveals that on average in this group of rich countries OECD women spend two hours more than men every day on unpaid work and more than three hours extra in Spain, Italy and Portugal.⁴⁰

Tax data from the UK for 2011/2012 (a country with a pay gap of 19 percent, just above the EU average) reveal that women systematically appear at the lower income ends of the distribution, as shown in Figure 11. The inactive population, i.e. those people of working age who are not in the labour force, are disproportionately women, who account for more than 60 percent of this group. Startlingly, an estimated 70 percent of the people in the UK categorized as employed, but not included in the tax payer data and accordingly assumed to fall below the £8,000 income tax threshold are women; meanwhile 80 percent of the people in the UK who earn over £100,000 a year are men, as are all but two of the UK's 53 billionaires. Women of working age continue to find themselves at the lower end of the income distribution compared with men.

Figure 11: Percentage of men and women in different employment and income brackets in the UK (UK tax data, 2012–2013)



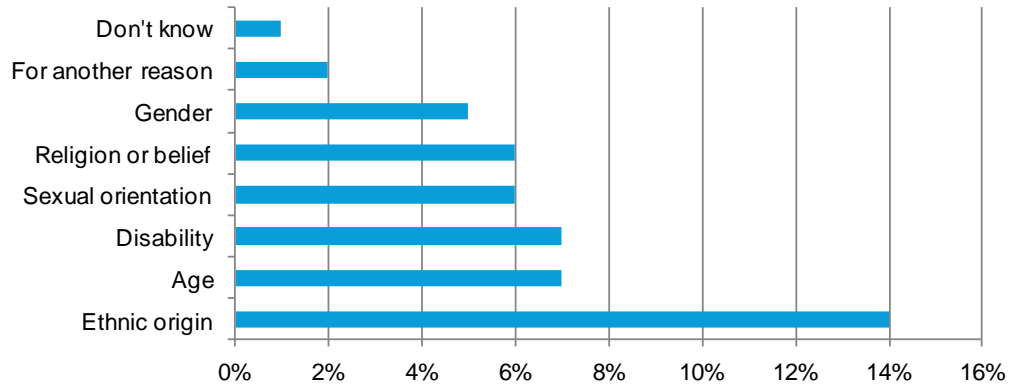
Source: UK Office for National Statistics, <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-347481> and Forbes data

3.2 ETHNICITY AND MIGRANTS

Ethnic minority groups are more likely than the rest of the population in EU countries to experience multiple discriminations. Some 23 percent of respondents to a Eurobarometer survey who were from ethnic minority and immigrant groups reported being discriminated against compared with 12 percent in the rest of the population (see Figure 12).⁴¹ According to this Europe-wide survey, discrimination on the basis of ethnic or immigrant status was perceived to be more widespread than discrimination on the basis of sexuality or religion. More than 80 percent of people surveyed believed that the Roma population were discriminated against in the Czech Republic, Hungary and Slovakia and that

people of African origin were discriminated against in France and Italy. The impact on employment and income is indicated by the fact that 46 percent of the people who experienced discrimination came from the lowest income quartile and were twice as likely to be unemployed (24 percent) than those who did not experience discrimination (12 percent).

Figure 12: Perception of discrimination as ‘fairly’ or ‘very’ widespread (%)



Source: Special Eurobarometer 296, http://open-data.europa.eu/data/dataset/S656_69_1_EBS296

First- and second-generation migrants are also more likely to be at risk of poverty in the EU. On average in the EU28, children with parents born overseas are almost twice as likely (35 percent vs 18 percent) to be at risk of poverty.⁴²

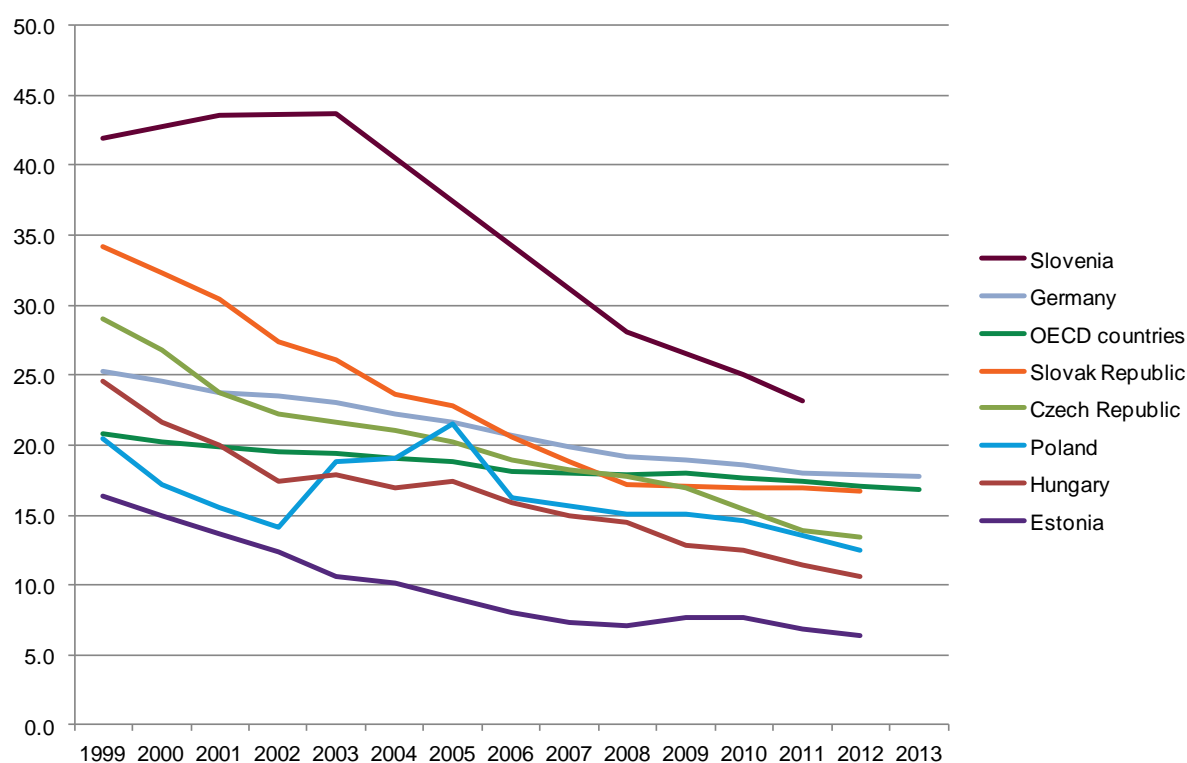
4 INEQUALITY OF POWER AND INFLUENCE

Evidence presented in sections 2 and 3 above demonstrate the economic and social divide within the 28 EU countries. The differences in people's socio-economic status also have an impact on their power and influence over the policies and institutions that affect them. This is true at the local and community levels, in people's homes and workplaces, but also at the national level, where people in more economically powerful positions also have a stronger voice on issues and policies of national significance.

4.1 WORKPLACE BARGAINING AND UNIONIZATION

The extent to which employees are actively engaged in collective bargaining and are members of a trade union that represents their rights and interests in the workplace has been falling throughout EU countries over the last 30 years. Portugal, one of the most unequal countries in terms of both market and post-tax and transfer inequality and one that has seen an increase in inequality in the past decade (see Figure 2), saw trade union density fall by 35 percentage points between 1980 and 2010, from 55 percent to just 19 percent.⁴³ OECD data show trade union density declining in all EU countries except Italy and Spain, which show a slight increase (see Figure 13).

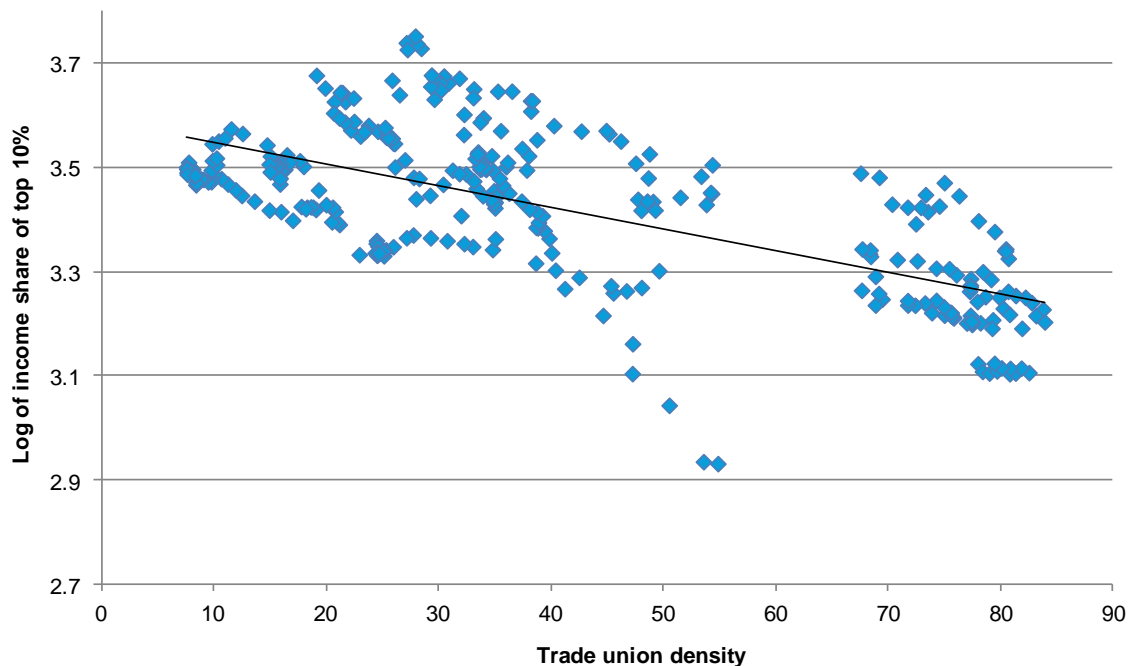
Figure 13: Proportion of working people who are members of trade unions in EU countries, showing the biggest percentage decline over 13 years, 1999–2012



Source: OECD data, http://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN

A recent paper by the IMF shows the decline in union membership correlating strongly with an increase in the share of income going to the richest 1 percent (see Figure 14).⁴⁴ While the bargaining power of those at the bottom of the distribution wanes, those at the top are demanding increasing shares of the corporate pie. In the UK this is manifested in FTSE 100 company CEOs having a pay ratio of 130 in comparison with the average employee.⁴⁵

Figure 14: Lower unionization in 12 EU economies (for which IMF data is available) is correlated with an increase in the income share of the top 10 percent (log of top 10 percent gross income share, 1980–2010)

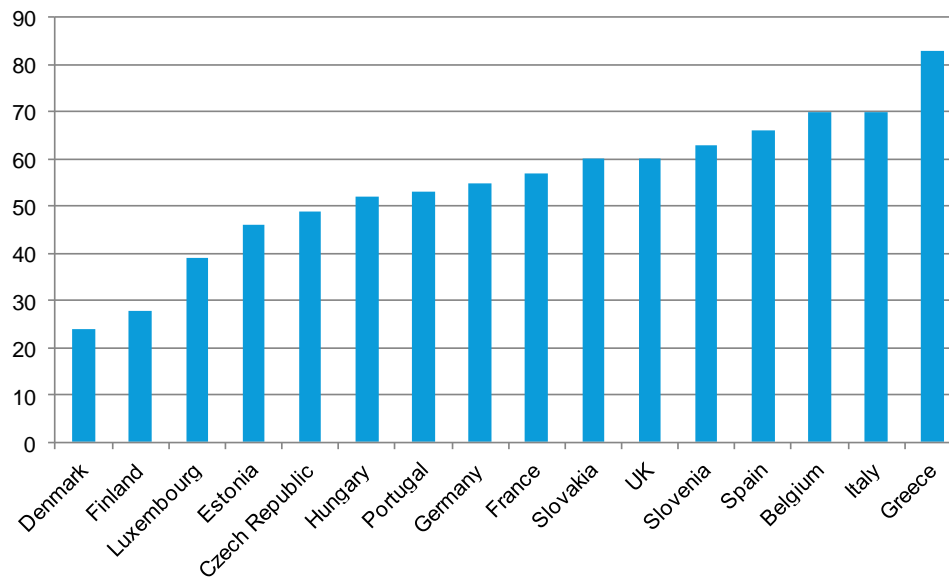


Source: Data reproduced and adapted from IMF Staff paper: Jaumotte, F., and Buitron, C.O., (2015)

4.2 DIRECT INFLUENCE ON POLICY THROUGH LOBBYING AND RELATED ACTIVITIES

While bosses dominate the workplace, the economic elite are also dominating policy-making spaces around Europe. A 2013 survey found that the majority of citizens believed that national politics was dominated by the interests of an elite few (see figure 15). This was particularly the case in the countries that have suffered the worst repercussions from the global financial crisis – it was the perception of more than 80 percent of people living in Greece, 70 percent in Italy and 66 percent in Spain.⁴⁶

Figure 15: Percentage of respondents who believe that their government is largely or entirely run by a few big interests looking out for themselves

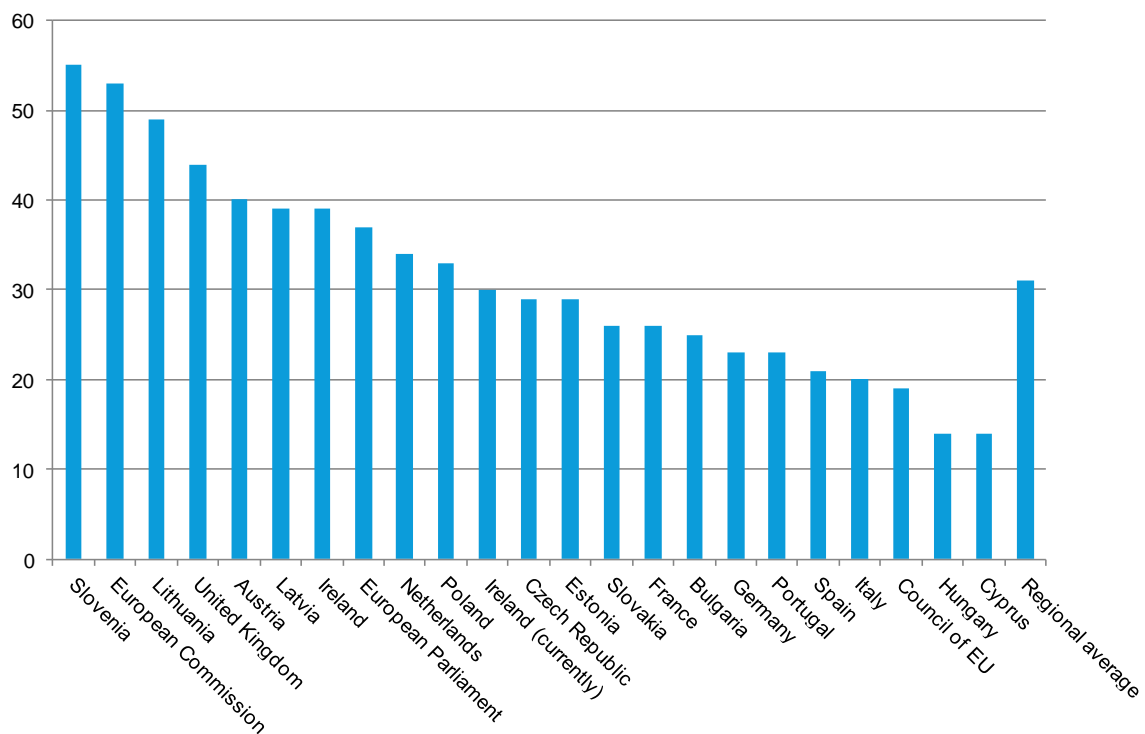


Source: Transparency International, Global Corruption Barometer 2013, <http://www.transparency.org/gcb2013>

Unfortunately, few comparative empirical data are available on the money, time and relationships that are being used to shape politics in Europe, given the ‘soft’ and ‘informal’ nature of much of the influence peddling and due to inadequate requirements for reporting lobbying activities. However, the evidence that is available suggests that this is a large and increasing problem, particularly in certain sectors and policy areas at both country level and EU level. The financial lobby is among the most powerful in the EU. In Brussels alone, companies in the financial sector are estimated to have spent €120m per year on lobbyists,⁴⁷ and between mid-2013 and the end of 2014 civil servants at the European Commission had on average more than one meeting every day with a financial sector lobbyist.⁴⁸ Corporate Europe Observatory estimates that meetings with corporate lobbyists have outnumbered those with trade unions and civil society organizations by seven to one on matters of post-crisis EU regulation, leading to claims that regulation has been captured by the industry and that influence from other actors, including trade unions and CSOs, has been largely ineffective.⁴⁹ Evidence of a revolving door in the financial sector, though anecdotal, is no less powerful.⁵⁰

The cosy relationship between business and politics was identified as a particular corruption risk right across Europe in a Transparency International report that analysed the integrity of core institutions.⁵¹ A subsequent report published in March 2015 assessed EU countries on their transparency, integrity and equality of access for lobbying regulations (see Figure 16). This report found that Slovenia, while still falling short of an ‘excellent’ score in all three dimensions, has by far the best regulation for lobbying activity in the EU and, aside from the EC itself, was the only country to be classified as having ‘sufficient’ regulation.⁵²

Figure 16: Combined unweighted average of scores for transparency, integrity and equality of access of lobbying regulations (score 0–100, where 0 is weakest and 100 is strongest)



Source: Transparency International (2015), http://www.transparency.org/news/feature/europe_a_playground_for_special_interests_amid_lax_lobbying_rules

While EU countries are facing declining unionization and the risks of political capture by elites, emerging social movements are mobilizing and raising their voices effectively, particularly in response to the austerity measures that have affected so many people over the past six years. Again there are no comparative empirical data on the extent to which social movements are growing and having an impact, so this paper looks to anecdotal evidence of protests and demonstrations across the EU, although not all have had progressive outcomes. In the wake of the financial crisis, Spain has seen the emergence of the influential 15-M anti-austerity social movement and the associated Platform for People Affected by Mortgages (PAH), which has successfully stopped evictions both through legal routes and by stopping police at the door.⁵³ In Greece the protest movement has been the most dramatic and violent: hundreds of people have been injured, property destroyed and businesses forced to close due to three separate waves of demonstrations. The government response included restrictions on mobilizing large groups, but the government itself was subsequently replaced with a much more progressive regime. The potential for organized citizens in EU countries to mobilize to effect change is clearly an essential opportunity to rebalance the inequality of power in national influencing and decision making.

5 CONCLUSION

This research briefing has explored available data on economic inequality and some of the factors underlying it in order to understand how income is distributed within the 28 countries of the EU. It is clear that each national picture is unique and that policy measures within the control of national governments can have a large impact on distributional outcomes that can ultimately help those people at the bottom of the distribution to escape poverty. A lot can be learned from analysing this kind of data and how countries can redistribute income for fairer societies. This is also why Oxfam strongly supports the inequality goal in the draft Sustainable Development Goals, with measurable targets on income distribution focused in particular on the share of incomes of the bottom 40 percent compared with the shares of the top 10 percent and 1 percent, and with the necessary tools to measure this rolled out systematically in all countries across the world.

It is also clear that the data currently available do not provide the full picture. For a start, many people who sit at the very tails of the distribution are not captured in household-level data and are given insufficient weight in general measures such as the Gini coefficient. Micro-level research is needed to understand how inequalities are manifested at the household or community level and how this affects individual life chances and outcomes. Neither can simplistic correlations do justice to the complex interactions between economic inequality and discrimination, demographics, policies and power, as progressive policies targeted to benefit the poorest on the one hand can be more than undermined by regressive policies or discrimination against certain groups acting in the opposite direction. Moreover, as section 4 describes, the informality of influence and power both of elites and of non-institutional citizens' movements are hard to capture with empirical data, yet these are critical factors underpinning social, political and economic environments.

This research briefing discusses useful insights and empirical tools available to understand inequality and shines a light on issues that warrant further, more detailed research and analysis. Looking in particular at the high rates of market inequality in European countries, it identifies the importance of understanding the jobs market, including from a gender perspective, to understand how workers are compensated and the power that people have to negotiate fairer wages. It highlights the dramatic effect that governments can have through tax and spending decisions to mitigate levels of inequality, but also the need to explore not just how much governments are spending, but how progressive this expenditure is, sector by sector, policy by policy. Finally, it is clear that national-level outcomes result from decisions made by individuals and within institutions and that there remains a great deal of opacity in this area. Further studies on how to make the policy-making space more inclusive and decisions more representative of the population will be valuable going forward.

NOTES

All websites were last accessed in March–June 2015 unless otherwise stated.

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