



While some people forge ahead, others are left behind by society. Brussels, April 2015, in the area of the Stock Exchange Building (2015). Photo: Ximena Echague/Oxfam

A EUROPE FOR THE MANY, NOT THE FEW

Time to reverse the course of inequality and poverty in Europe

Europe is facing unacceptable levels of poverty and inequality. Instead of putting people first, policy decision making is increasingly influenced by wealthy elites who bend the rules to their advantage, worsening poverty and economic inequality, while steadily and significantly eroding democratic institutions. Austerity measures and unfair tax systems across Europe are skewed in favour of powerful vested interests. It is time to reverse the course of poverty and inequality in Europe, putting people first.

FORWARD

**Professor Stephany Griffith-Jones, Financial Markets Program
Director at the Initiative for Policy Dialogue at Columbia University**

Europe's policies towards the global financial crisis must be reconsidered and revised in order to promote economic growth and stop harmful effects on all citizens, including the poorest. Oxfam is right in its diagnosis of unacceptable levels of poverty and inequality in Europe, exacerbated by the financial crisis and austerity measures. It is time for European-wide action to promote recovery of investment, jobs and growth and to heal the wounds opened by massive job losses, falls in real wages and cuts in public services, especially in countries like Greece, Spain and Portugal, but also more widely throughout Europe.

There is need for more expansive fiscal policies across the EU, especially in countries with such large current account surpluses, such as Germany, the Netherlands and others, which also have very low borrowing costs. In countries such as Greece, more expansive fiscal policies also need to be adopted. This could be facilitated in part by reductions in debt servicing for countries in financial trouble, and also with an increase in tax revenues, putting the emphasis on taxing the richest individuals and companies, including the banking sector, and putting an end to tax evasion. Furthermore, measures such as the Juncker Plan, hopefully in a more expanded version, should encourage investment throughout the EU to facilitate the growth and structural transformation needed to deliver better standards of living.

One of the key lessons from the Latin American experience is that austerity policies without timely debt reduction lead to drastic recessions, and also transfer costs from creditors to debtors and from private creditors to public actors, since official lending ends to finance debt servicing. These lessons were not taken into account in Europe, with the exception of the restructuring of the Greek debt, which many consider insufficient and somewhat late. However, there has been a growing acknowledgement of the real costs of adjustment.

At a time when many European governments face large deficits, partly as a result of bailing out the financial sector, it seems reasonable to expect the financial sector to support the balancing of the books as well as adopting measures to help reduce the likelihood of future crises, and, perhaps most urgently, helping finance measures that lead to the promotion of European growth. To hundreds of economists, the evidence is clear that a financial transactions tax (FTT) would help to strengthen the public finances across European nations, reduce the likelihood of crises and provide a new source of finance for European growth. A substantial proportion of FTT revenues can be earmarked for helping to finance solutions to some of the world's most difficult international problems such as poverty and climate change.

This excellent Oxfam report provides an outstanding diagnosis of the problems, but more importantly offers a valuable menu of policy solutions, including the promotion of inclusive growth and the introduction of taxes such as the FTT. Time is of the essence and such measures should be implemented now.

Isabel Ortiz, Director of Social Protection at the United Nations International Labour Organization (ILO)

Europe has long been proud of its social model. The achievements of the European social model dramatically reduced poverty and promoted prosperity in the period following the Second World War.

However, these important achievements have been eroded during the crisis by a series of short-term adjustment reforms. The cumulative effects of unemployment and austerity have led to a resurgence of poverty in Europe and a loss of prosperity for the middle classes. As this Oxfam report shows, today, in 2015, 123 million people in the prosperous European Union are at risk of poverty – a quarter of the EU population – compared with 116 million in 2008.

These figures are raising alarm bells across Europe. What happened to the European social model? The deployment of vast public resources to rescue private institutions considered 'too big to fail' forced taxpayers to absorb enormous losses, caused sovereign debt to increase and, ultimately, hindered economic growth. Since 2010, the cost of this adjustment has been passed on to populations who have been coping with fewer jobs and lower income for more than five years. Furthermore, Oxfam estimates foresee an additional 15–25 million people facing the prospect of living in poverty by 2025 if austerity policies continue.

Poverty in the EU is not an issue of scarcity during the crisis, but a problem of how wealth is distributed, as this report shows. Credit Suisse estimates that the richest one percent of Europeans (including those living in non-EU countries) hold more than a third of the region's wealth.

Higher poverty and inequality are also the result of inadequate public policy decisions at a time of recession: curtailing social security transfers, limiting access to quality public services, prioritizing fiscal balances over decent jobs and eroding collective bargaining, social dialogue and the democratic process. The long-accepted concept of universal access to decent living conditions for all citizens is at stake.

As Oxfam identifies in this report, it is necessary and urgent to strengthen democracies, reorient public policies in favour of people and generate sufficient fiscal capacity to do so. This means re-allocating public expenditure, increasing tax revenues, increasing transfers, fighting illicit financial flows, managing debt and adopting a macroeconomic framework supportive of investment, growth and decent jobs, in order to achieve social justice and long-term prosperity for all.

SUMMARY

In 2015, people across Europe are suffering unacceptable levels of poverty and inequality. European countries may pride themselves on being stable democracies that look after their citizens, but the EU faces levels of poverty and exclusion, which most people would consider unacceptable in the 21st century. Within the prosperous nations of the European Union (EU), 123 million people are at risk of poverty or social exclusion, representing almost a quarter of the population, while almost 50 million people live with severe material deprivation, without enough money to heat their homes or cope with unforeseen expenses.

Box 1. AROPE (at risk of poverty or social exclusion): A measure of poverty in the EU

Poverty is measured in the EU using the AROPE indicator. AROPE refers to the situation where people are either at risk of poverty,¹ severely materially deprived² or living in a household with very low work intensity.³ The AROPE rate is the share of the total population which is at risk of poverty or social exclusion. It is a relative measure that depends on the specific living conditions of each country.

Source: Eurostat⁴

A large number of EU countries have seen increasing numbers of people falling below the poverty line in recent years. Between 2009 and 2013 an additional 7.5 million people, across 27 EU countries, were classified as living with severe material deprivation, with 19 countries registering an increased level. In many countries unemployment remains very high, even as many of those lucky enough to have work see their incomes stagnate or fall to poverty-wage levels. Women, young people and migrants are the groups most likely to be poor.

Poverty in the EU is not an issue of scarcity, but a problem of how resources – income and wealth – are shared. Credit Suisse estimates that the richest one percent of Europeans (including non-EU countries) hold almost a third of the region's wealth, while the bottom 40 percent of the population share less than one percent of Europe's total net wealth. In other words: the richest seven million people in Europe have the same amount of wealth as the poorest 662 million people (including non-EU countries).

Several dynamics are driving up levels of inequality and poverty in the EU.

First, wealthy individuals, corporations and interest groups have captured the political decision-making processes, skewing them to favour their own interests at the expense of those they are meant to serve. This leads to greater levels of economic inequality, as tax systems and government policies are made to benefit the few over the many. As wealth continues to accumulate at the top, the ability of these elites to disproportionately influence the rules further exacerbates inequality. This vicious cycle of

wealth concentration, abuse of power and neglect of citizens has detrimental impacts on economic growth, social stability and democracy, as well as on marginalization and poverty.

Second, austerity programmes, implemented in some EU countries, have placed the burden of reducing the public deficit squarely on the shoulders of the poor and vulnerable, and are having a severe impact on European societies. These programmes include policies that increase regressive taxation, cut public spending, privatize public services, shrink wages and undermine working conditions.

And third, in many EU countries unfair tax systems are failing to correct income inequalities and, worse, are actually contributing to a widening inequality gap. These tax systems are consistently biased towards more heavily taxing labour and consumption than capital, allowing high earners, wealthy individuals and the most profitable companies to largely escape from their tax obligations, and placing the burden of effort on common citizens. At the same time, one estimate puts the cost of tax avoidance and evasion in the EU at €1 trillion a year in lost revenue (see note 157 for details), enough to double the total public health investment across EU countries.

Yet economic inequality and poverty are not inevitable. Oxfam's experience of working in Latin America, sub-Saharan Africa and South-East Asia during previous financial crises has taught us that there are alternatives. There are deliberate policy interventions and political commitments that Europe can take now to break the cycle of poverty, inequality and political capture that fuels democratic bankruptcy. Increased social spending, improved public service provision, decent work and wages, and progressive tax systems can all help to create a fairer society.

In 2010, the EU's 2020 strategy established the Platform Against Poverty and Social Exclusion, aiming to lift 20 million people out of poverty in the EU, but since then poverty rates have only increased.

It is time for Europe to regain its role as a global leader promoting a progressive agenda that delivers for everyone, not just for a wealthy, powerful minority. Europe remains one of the world's wealthiest regions, so a lack of finance can be no excuse. What is required now is for leaders to show that they have the political will to finally put an end to poverty and extreme inequality in Europe.

RECOMMENDATIONS

The EU and its member states must urgently tackle four major policy areas, in order to secure greater levels of equality and development for their citizens.

The following recommendations are guiding principles, which have great relevance across the EU, but which will need to be adapted for different institutional and national contexts.

EU institutions and member states must:

1. Strengthen institutional democracy

- Support citizens to engage more meaningfully in democratic processes, in particular budgeting and resource allocation;
- Work hard to ensure that policy-making processes become less permeable to vested interests and more democratic, through mandatory public lobby registries, stronger rules on conflict of interest and balanced compositions of expert groups;
- Ensure that good-quality information on administrative and budget processes are made public, free and easily accessible.

2. Re-invest in public services

- Guarantee free, public, universal education and healthcare for all, in order for governments to fulfil their human rights obligations to their citizens;
- Prioritize gender budgeting and systematically analyze proposed economic policies for their impact on girls and women. Allocate funding in ways that promotes gender equality including redistributing care responsibilities;
- Develop social protection systems that respond to the needs of the most vulnerable, protect low-income households, and provide social services aimed at children and young people.

3. Guarantee decent work and wages

- Ensure that employment is connected with social protection systems, including the implementation of a social protection floor;
- Address the gender pay gap and agree action plans to reduce gender inequality in compensation and seniority;
- Recognise the contribution of unpaid care work, and help reduce the burden of unpaid care work disproportionately borne by women, by providing child and elderly care and paid family and medical leave, flexible working hours, and paid parental leave.

4. Tax justice

- Increase cooperation to fight tax dodging and harmful tax competition, and adopt a comprehensive transparency reporting framework for large companies operating in Europe so that revenue collection agencies can ensure they pay taxes where the real economic activities occur;
- Pay greater attention to the impact of EU tax policies on developing countries and support them to increase their tax revenues progressively;
- Support the equal participation of developing countries on international tax discussions and decision making.
- Promote progressive national tax systems across Europe.

1 INTRODUCTION

*Europe will not be made all at once, or according to a single plan.
It will be built through concrete achievements
which first create a de facto solidarity.*

Robert Schuman⁵

Europe⁶ has often seen itself as a place where the social contract – the agreement between individuals and the state regarding freedoms, rights and obligations – balances economic growth with social development. A place where public services aim to ensure that everyone has access to free high-quality education and healthcare. A place where the rights of workers, particularly of women, are respected and supported, and where society cares for the weakest and poorest; where the market has been harnessed to benefit society, rather than the other way round. It has been an inspiration to other regional integration projects, like Mercosur, ASEAN, the Andean Community and the African Union.

Yet, today, the number of people living in poverty and excluded from society across the European Union (EU) is growing, and the living and working conditions for many citizens are deteriorating. In contrast, those groups in positions of power and wealth have remained immune from these pressures. The gap between the rich and the poor within the EU is widening, threatening to reverse the gains made in the global fight against poverty in the last two decades. The rise in economic inequality also represents a serious blow to efforts to achieve gender equality in the EU.

Increases in extreme economic inequality – the gap between the richest 10 percent and the rest of the population – both globally and in Europe, are fuelled and sustained by a process of political capture, where powerful elites representing wealthy interest groups or business sectors are able to influence policy making in their favour, in a way that people without access to these resources cannot compete with. This downward spiral of wealth concentration and power damages social cohesion, reduces equality of opportunity and social mobility, and erodes democratic governance.⁷ By falling into this dynamic, European policy makers are failing the EU's social contract.

Oxfam's global ***Even It Up*** campaign is highlighting the role that growing inequality and wealth concentration play in exacerbating poverty. Europe needs to tackle poverty and inequality. It is time to rebalance voice and power in policy decision making within Europe, putting people first.

Governments in Europe must reverse the trend, make human rights central and demonstrate how proper regulation can both boost sustainable growth and enhance social welfare. In doing so it can become, again, an inspiration for other countries and regions around the world.

2 UNACCEPTABLE LEVELS OF POVERTY AND INEQUALITY IN THE EU

What many tend to forget is that poverty and social exclusion, being the direct result of inequality, undermine the very fundamentals of our society. As history has already shown us, this threatens the existence of our democratic system.

Martin Schulz, President of the European Parliament⁸

From a global perspective, the EU is a union of rich countries. These 28 countries have an average gross domestic product (GDP) per capita of €26,600.⁹ Across the continent European countries pride themselves on being stable democracies that look after their citizens. However, within these same prosperous nations, almost one in four people is at risk of poverty or social exclusion,¹⁰ equivalent to more than 123 million people.¹¹ In 2014, a UNICEF report found that more than 30 percent of children in Romania, Italy, Spain, Lithuania and Latvia live below the relative poverty line, as do more than 40 percent of children in Greece.¹² Almost 50 million people in EU countries live with severe material deprivation, without enough money to heat their homes or cope with unforeseen expenses.¹³

Unemployment levels in many EU countries remain high: more than 15 percent in Greece, Spain, Croatia, Portugal and Cyprus in 2013.¹⁴ In Greece, the country with Europe's highest unemployment rate, the lack of jobs has affected women most, with a female unemployment rate of 31 percent versus 25 percent for men. Even people who do have jobs struggle to provide for their families, as real wages have fallen sharply. Data for 2013 found that nine percent of working households – more than 8.5 million people – are at risk of poverty despite being in work.¹⁵ In many countries in the EU, workers are earning less in real terms than before the global financial crisis began in 2008.¹⁶ An International Monetary Fund (IMF) study finds that Spain and Greece in particular have seen workers' share of national income fall further behind in the years since the crisis.¹⁷

Box 2. Low wages and precarious work

Patricia is 47 years old and lives in London. She used to work at a housing benefit office, until giving up her position a decade ago to care for her father who suffered from dementia. After her father died, she tried to get back into employment by working at a local school. But the school can only offer her very few hours so she earns less than £200 a month. Patricia first used a food bank in October 2014 because of her low income.

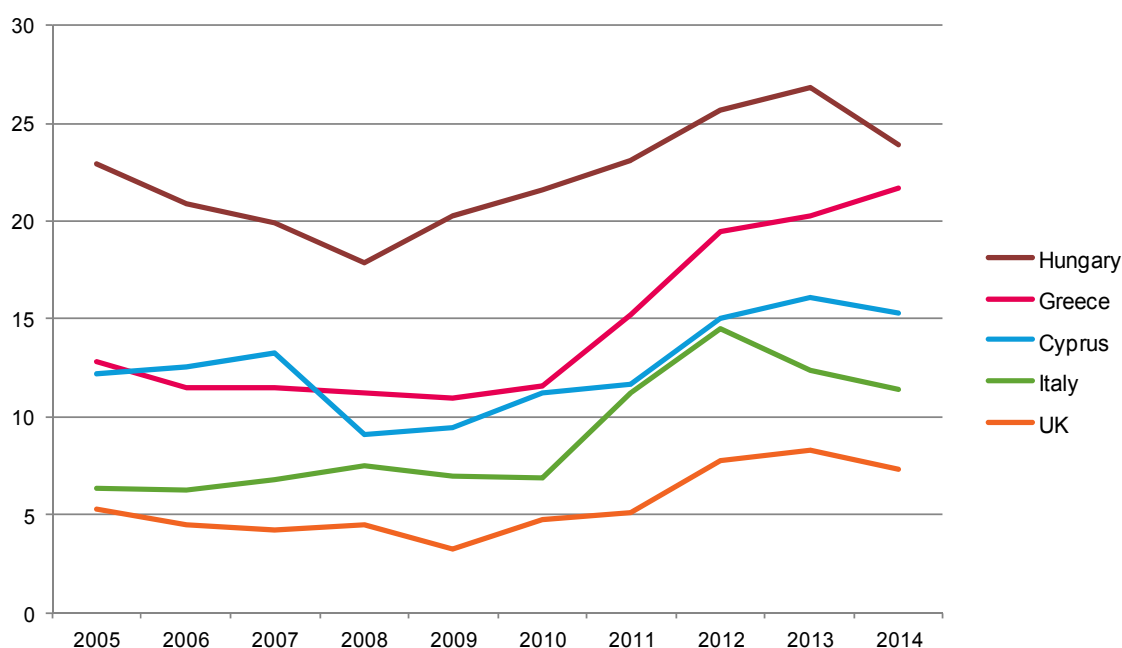
I ended up at the food bank because all my debts got on top of me, and I couldn't find any way out. My wages were so low, and there was no overtime. I had debt collectors knocking on my door. How could I not have money for food when I'm working – I couldn't understand it. Sometimes I feel so sick. When I get paid I can eat for the first two weeks. And then I'm out of money.

Source: Church Action on Poverty, Oxfam GB and the Trussell Trust (2014)¹⁸

Poverty in the EU is soaring

The most worrying news is that a large number of EU countries have seen an increasing number of people falling below national poverty lines in recent years.¹⁹ Between 2009 and 2013 an additional 7.5 million people were classified as living with severe material deprivation across 27 EU countries.²⁰ In 19 EU countries the proportion of people living with severe material deprivation has increased. Figure 1 shows the five countries in which the proportion of people living with severe material deprivation has increased by five percent or more between 2009 and 2013. Only Poland and Romania saw their poverty rates decline by more than one percent over this period, falling by 3.1 and 3.7 percent respectively.

Figure 1: Proportion of people with severe material deprivation in the five EU countries where this proportion increased by five percent or more between 2009 and 2013



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

Single-parent households and households with dependent children are at the highest risk of poverty. The number of children (aged under 18) living in poverty within the EU grew by one million between 2009 and 2013.²¹ In 2013, nearly 28 percent of children in the EU were living in poverty, equivalent to more than 26 million children.²²

Box 3. Hungry children in schools

For the average primary school teacher in Europe it is obvious what poverty looks like and what the consequences are. Recent studies in the UK and the Netherlands brought to light that they see an increasing number of children who come to school without having eaten breakfast, who have not washed and have worn-out clothes.

In the UK, three-quarters of school headteachers surveyed reported that they were frequently or occasionally providing food to pupils – in addition to free school meals – with 38 percent doing so frequently. Almost half (46 percent) have provided children with basic items of clothing, such as underwear; 24 percent have provided laundry facilities and 15 percent were providing shower facilities. UK head teachers feel that poverty is having an effect not only on the number of pupils arriving at school hungry, but also on their concentration, mental health and self-esteem.²³

A Dutch schoolteacher reported:²⁴

'Kids regularly approach me and say "I am really hungry". They have not eaten and they don't carry any food with them. They have to stay over without food. They wear a thin coat in the winter and too large shoes. There's dirt under their nails and they have bad breath.'

The report drew this reaction from the Dutch Ombudsman.²⁵

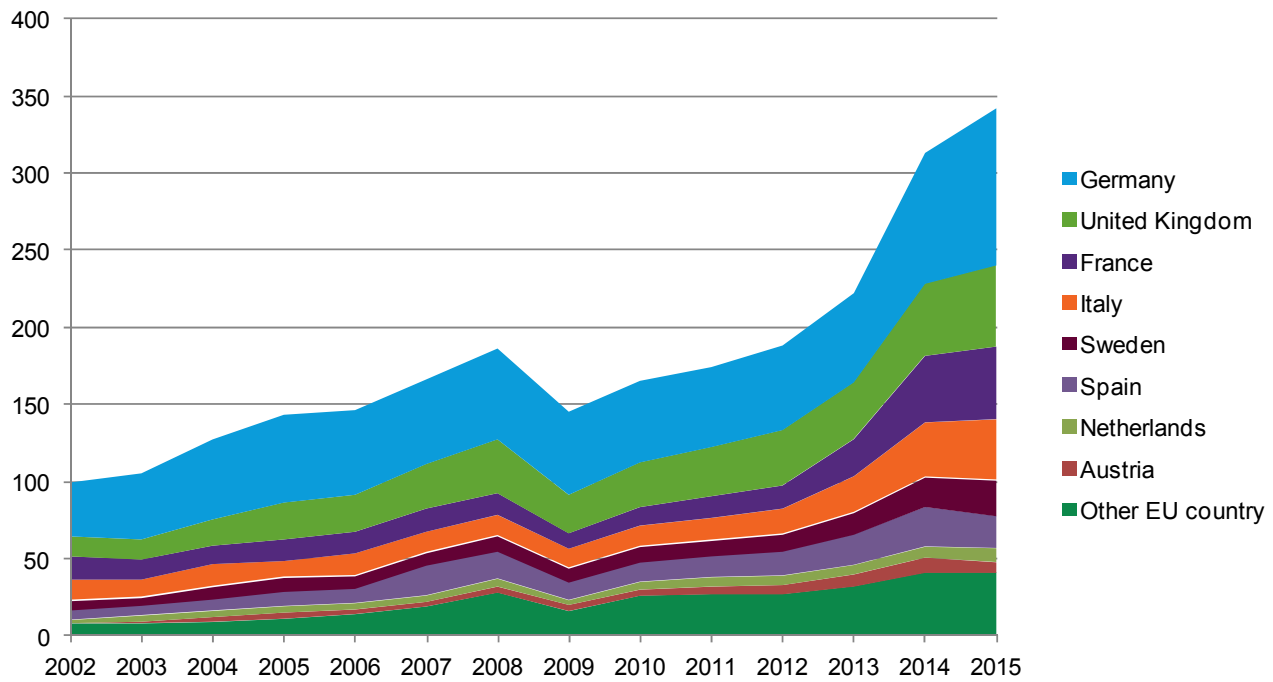
One in nine children live below the poverty line in the Netherlands. This amounts to 380,000 children – three in every school class of 30 children on average. Those children are often ashamed of their situation and end up becoming isolated (for example, they do not invite other school kids to their homes).

Author: Esmé Berkhout, Policy advisor, tax justice and inequality, Oxfam Novib

Specific groups are more likely to be poor, while others are much more likely to be rich

Not everyone in Europe lives in poverty and not everyone's fortunes have been declining in recent years. Europe is home to some of the richest people, most profitable businesses and most valuable assets in the world – and many are prospering. The luxury goods sector in Europe increased by 28 percent between 2010 and 2013.²⁶ Europe is now home to 342 billionaires, with a combined wealth of almost \$1.5 trillion.²⁷ In Spain, where more than three million people were living in severe deprivation in 2014, there are 21 billionaires with a combined wealth of \$116bn.²⁸

Figure 2: Number of billionaires in EU countries (2002–15)



Source: Deborah Hardoon, Senior researcher, Oxfam GB. D. Hardoon (2015), <http://policy-practice.oxfam.org.uk/publications/background-data-for-oxfam-briefing-a-europe-for-the-many-not-the-few-exploring-575925>, based on Forbes data from annual rich list, <http://www.forbes.com/billionaires/>

Some groups of people in society are much more likely to be on the richer end of the income distribution scale than others. For example, 85 percent of billionaires in Europe are male – women are much less likely to be in this elite club. At the same time, women are disproportionately represented among the number of people at risk of poverty in the EU, with six million more women having incomes below 60 percent of the median than men. Women earn less than men for equivalent work; across the EU there is an average wage gap of 16 percent.²⁹ The variation across EU countries is substantial, with a pay gap as high as 30 percent in Estonia and as low as three percent in Slovenia. Although in some countries the gender wage gap has reduced since 2010, this has more to do with the erosion of men’s wages, than any move towards gender equality.³⁰ More women than men are in precarious and part-time work, which will have consequences for their health and well-being,³¹ while women pensioners in Europe are on average 39 percent worse off than men.³² Women also undertake an excessive share of unpaid domestic duties, spending double the number of hours that men do on these responsibilities.³³ Younger mothers and mothers with young children are the least-employed parent groups, and this is exacerbated for single mothers. Across Europe, 10 percent of families have a lone parent, but only one percent of these are single fathers with the remaining nine percent as single mothers.³⁴ These families are at a much higher risk of poverty. In the EU, the poverty risk for children living in lone-parent households is almost twice as high as the average poverty risk for all children together (34 percent against 19 percent).³⁵

Young people in the EU are now also struggling more than previous generations, particularly since the global financial crisis. Whereas previously the over-65s represented the majority of the EU’s low income

groups, by 2014 this group had been overtaken at the bottom of the income distribution scale by those aged 18 to 29.³⁶ There are now more young people that are on low-pay or are unemployed than pensioners at the bottom of the income distribution scale.³⁷ This same group is increasingly likely to be living in poverty: in 2013, nearly 32 percent of young people in the EU were living in poverty, more than 13.1 million young citizens, almost half a million more than in 2010.³⁸ The average age of the 342 EU billionaires is 61.³⁹

Migrants are more at risk of poverty⁴⁰

Migrants tend to face a higher risk of poverty than other groups. While the at-risk-of-poverty rate of the population born in the country of residence varies from 10 to 23 percent across the EU, the rate for migrants, defined as those born outside the EU, exceeds 40 percent in Belgium, Spain, Cyprus, Greece and Finland.⁴¹ On average in the 28 EU nations, children with parents born overseas are almost twice as likely to be at risk of poverty (35 percent compared to 18 percent) in France, Denmark, Austria, Slovenia, Finland and Sweden.⁴² Social mobility is much harder to achieve among migrant populations and discrimination exacerbates income and wealth inequalities.

Among women, 33 percent of migrant women live at risk of poverty versus 16 percent of women living in their home countries.⁴³ A European-wide survey found that 23 percent of people from ethnic minority or immigrant groups reported discrimination, compared with 12 percent in the rest of the population.⁴⁴ This discrimination is associated with lower incomes – 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). Migrant women (especially those that are undocumented) also face additional discrimination through higher levels of violence, a lack of access to healthcare systems and a lack of protection in the labour market.

Migrants are often relegated to the bottom of society. There is a widespread public belief among European citizens that migrants contribute less in taxes than they receive in health and welfare services in their host countries.⁴⁵ This misleading perception suggests that migrants are a burden on public budgets and are supported by the higher taxes paid by native-born citizens. On the contrary, a comparative international study of the net fiscal impact of migration,⁴⁶ which includes a broad range of Organisation for Economic Co-operation and Development (OECD) countries,⁴⁷ shows that in most countries (except in those with a large share of older migrants), migrants contribute more in taxes and social contributions than they receive in individual benefits. This is the case, for instance, in Italy, Greece, Spain and Portugal. In 2012, the taxes paid by migrants in Italy were higher than the benefits they received through public expenditure on health, education, social protection and housing. Their net contribution to the national budget was €3.9bn,⁴⁸ or around 0.2 percent of Italian GDP.⁴⁹

According to OECD, where migrants make a lower or negative fiscal contribution, this is not because they are more dependent on public expenditure or welfare payments, but rather because migrants are often concentrated among the lowest-paid workers, which means they contribute less in taxes and national insurance than higher-paid workers.⁵⁰ Employment and wage levels are the most important determinants of migrants' net fiscal contribution.⁵¹

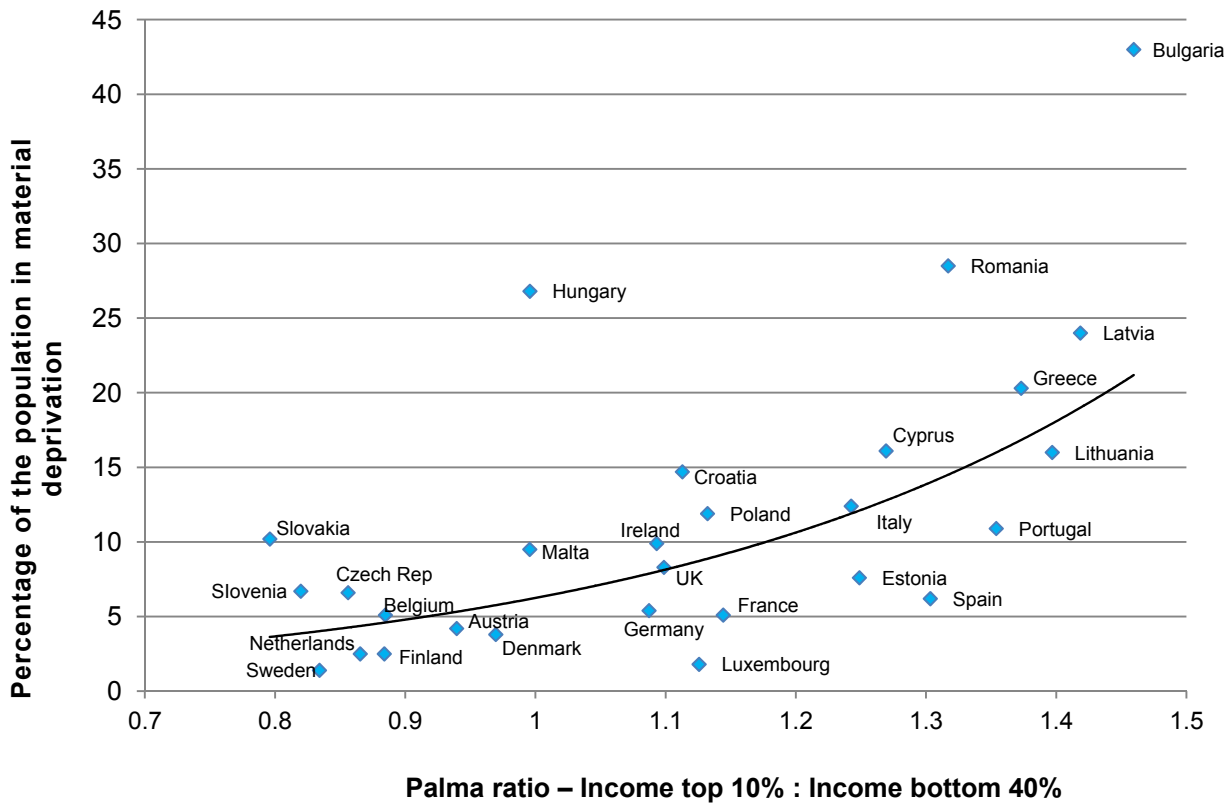
This is highly relevant given the EU's need for additional workers.⁵² Policy makers need to extend their focus beyond simply managing immigration flows and fighting against irregular migration to include a much greater focus on how to ensure the most effective social and professional integration of migrants.⁵³ Reducing inequality and promoting integration policies to close the gap between migrants and native populations can be highly cost-effective. Efforts to design and implement fair integration policies should be seen as an investment rather than a cost for EU countries.

Inequality: An uneven share of resources

Poverty in EU countries is not a problem of scarcity. Rather, it concerns how these resources are shared and how a small minority of people disproportionately gain a level of income and wealth well beyond their need, while others are excluded and struggle to pay their bills.

Calculating the ratio of income of the richest 10 percent of people against the poorest 40 percent, using the Palma measure of income inequality, gives an idea of the extent to which income is disproportionately skewed towards the richest in a country. Bulgaria and Latvia have the highest levels of inequality in the EU, with the income of the top 10 percent 1.4 times higher than that of the bottom 40 percent. In Slovenia and Slovakia, the two countries with the lowest Palma ratio, the income of the top 10 percent is 0.8 times the income of the bottom 40 percent. Countries with higher income inequality also tend to have a higher proportion of people living in poverty; those with more egalitarian distributions of income see far fewer people suffering from severe material deprivation.

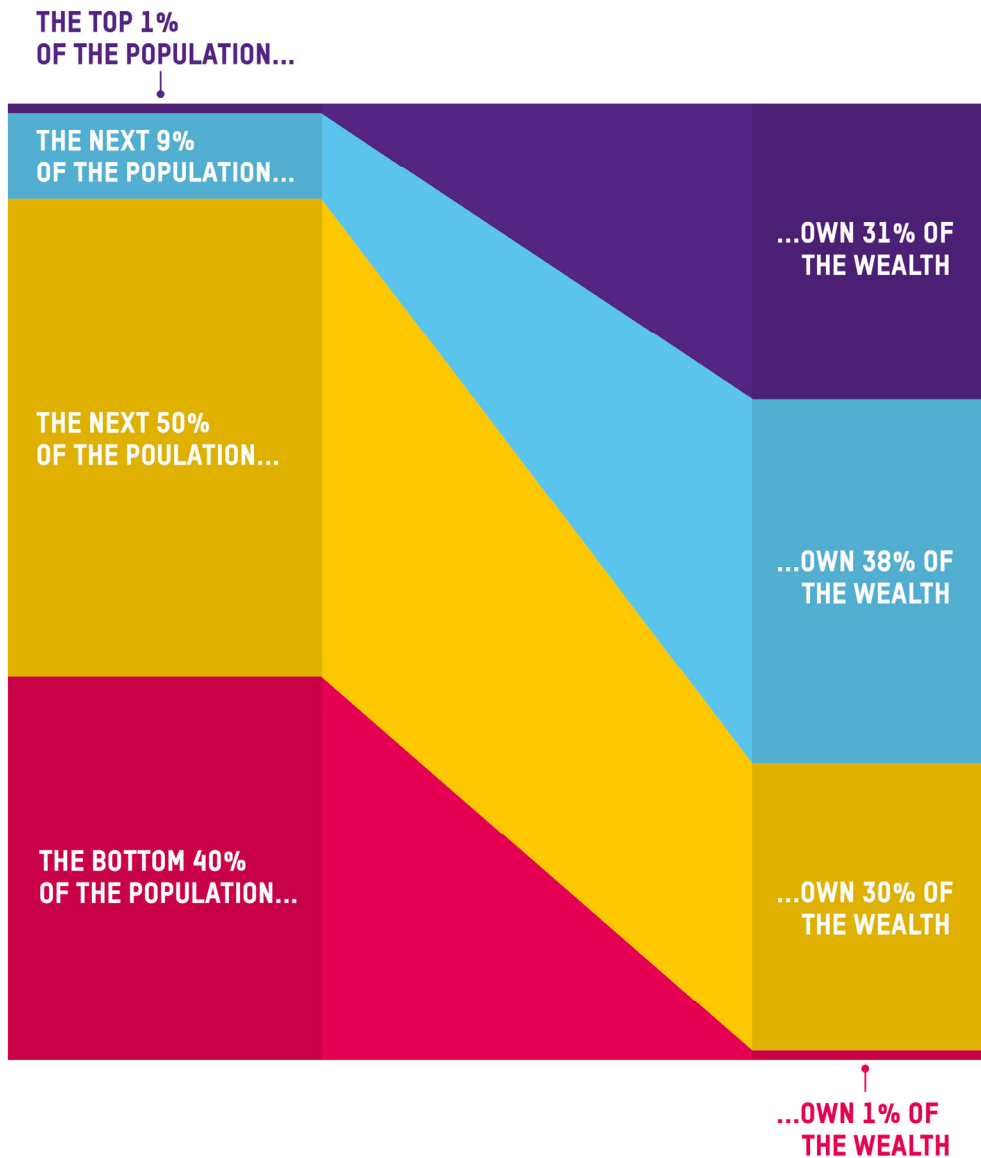
Figure 3: Correlation of Palma measure of inequality, after taxes and transfers, against the proportion of people living with severe material deprivation



Source: Deborah Hardoon, Senior researcher, Oxfam GB. D. Hardoon (2015), <http://policy-practice.oxfam.org.uk/publications/background-data-for-oxfam-briefing-a-europe-for-the-many-not-the-few-exploring-575925>, based on Eurostat data⁵⁴

Wealth is even more unequally distributed in Europe than income. Credit Suisse estimates that the richest one percent of Europeans possess almost a third of the region’s wealth.⁵⁵ The rest is split between the others in the top 10 percent of the region and half the population of the region between the fourth and ninth deciles. There is barely any wealth left over – less than one percent of the total net wealth in Europe – for the bottom 40 percent of the population. The richest seven million people in Europe now have the same amount of wealth as the poorest 662 million (including non-EU countries).⁵⁶ In the Czech Republic, Sweden, Denmark and Cyprus, the top 10 percent in each country possess more than two-thirds of their nation’s wealth, compared with nearer one-third in Slovakia and Slovenia.

Figure 4: Percentage distribution of wealth in Europe



Source: Deborah Hardoon, Senior researcher, Oxfam GB. D. Hardoon (2015), <http://policy-practice.oxfam.org.uk/publications/background-data-for-oxfam-briefing-a-europe-for-the-many-not-the-few-exploring-575925>, based on data from Credit Suisse

The most vulnerable face the greatest costs

Even before the crisis, EU countries had structural problems of unequal distribution of economic gains. According to data from the OECD, which includes 20 EU countries, between 2007 and 2010, the poorest 10 percent of the population tended to lose out more, or gain less, than the richest 10 percent of people, in terms of changes to their disposable income.⁵⁷

In the wake of the global financial crisis, as jobs and resources have become scarcer in many European countries, it is even more important that income be shared in a way that prevents the most vulnerable people from falling further into poverty and deprivation. In recognition of the extent to which poverty is affecting so many citizens, in 2010 the EU established the Platform against Poverty and Social Exclusion as part of its European 2020 Strategy, in order to help lift 20 million people out of

poverty in the EU.⁵⁸ However, since then poverty rates have only increased further, while at the same time, those at the top maintain their privileged positions. Top executives across the EU continue to reward themselves pay increases above the rate of inflation,⁵⁹ while real wages for other workers continue to fall. In some countries extremes of wealth and poverty have grown in parallel, increasing the gap between the richest and poorest sections of society. In Germany, for example, between 2005 and 2013, the proportion of people at risk of poverty increased from 12 to 16 percent, while the total net wealth held by billionaires increased from \$214bn to \$296bn during the same period.

Box 4. Social inclusion and the Europe 2020 strategy

The Europe 2020 strategy⁶⁰ was introduced with good intentions: to improve the social situation across the EU. The strategy's headline targets included bringing 20 million Europeans out of poverty and social exclusion. However, one of the main obstacles to pushing ahead with the strategy is the EU's lack of coordination between economic and social policies, with the former taking precedence over the latter. This is leading to a dismantling of social rights, which undermine well-developed social models in the EU and push people further away from the European project. To address this situation, it is essential that a balanced socio-economic mix with a rights-based approach across all policies be implemented to safeguard and promote fundamental rights. While this will help reach the strategy's headline targets, we would welcome the addition of a target on inequality to complement – not replace – the target on poverty and social exclusion, which would serve to reinforce the inclusive growth objective of Europe 2020.

Author: Pierre Baussand, Director of the European Social Platform

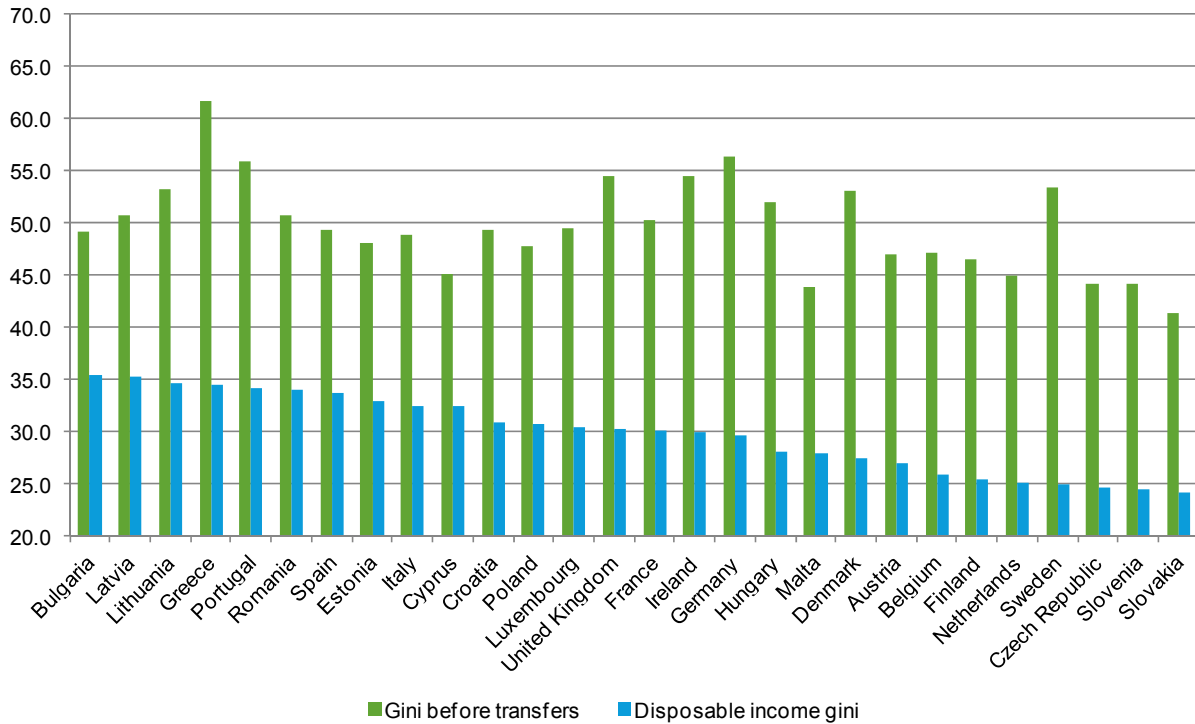
The increase in poverty rates in Europe between 2009 and 2013 was caused not only by the financial crisis but, in many countries, by the effects of the austerity policies which followed.⁶¹ In Greece, about half of the total increase in poverty⁶² in 2010 and 2011 can be attributed to the effects of austerity policies (such as cuts in public services).⁶³ In Spain, stimulus policies adopted in 2008 and 2009 had an important poverty-reducing effect in 2010, but in 2011, austerity measures imposed by the Troika⁶⁴ accounted for almost 65 percent of the total increase in poverty.⁶⁵

The redistributive effect of fiscal policies

Governments have many policy tools at their disposal to reduce the unequal distribution of income and wealth to ensure that no citizens are left behind, that the poorest sections of society do not suffer most, and that women are not discriminated against, particularly during times of slow or negative economic growth. Taxes from the income, wealth and profits of those who are prospering can help to feed a welfare system that provides health, education and social protection for all. In many European countries, the tax and transfer system has done a lot to make the distribution of income fairer. Countries such as Germany, Denmark and Sweden see their Gini coefficient⁶⁶ fall dramatically, after taking into

account redistribution through taxes and transfers. Other countries like Bulgaria and Spain see a much smaller change in their Gini coefficient before and after taxes and transfers, and remain some of the most unequal countries in the EU.⁶⁷

Figure 5: Gini coefficients of EU countries, before and after taxes and transfers (2013)



Source: Deborah Hardoon, Senior researcher, Oxfam GB. D. Hardoon (2015), <http://policy-practice.oxfam.org.uk/publications/background-data-for-oxfam-briefing-a-europe-for-the-many-not-the-few-exploring-575925>, based on data from Eurostat (2013)

The high levels of redistribution in countries like Germany and Sweden suggest that these governments used their fiscal tools effectively to attenuate income distribution, raising a lot of taxes from the rich and using this revenue to better fund schools, healthcare systems, care services and other policies and services that help those living in poverty. But higher levels of public expenditure are not always correlated with high levels of redistribution. The relationship between the two is positive, but weak.⁶⁸ Redistribution is not just a matter of how much money is raised in revenue and spent on public services, but also of how progressive those fiscal policies are. While Germany and Spain both achieved a reduction of their income inequality through taxes and transfers of 27 Gini points, Spain's government expenditure at 59 percent of GDP is 15 percent higher than Germany's at 44 percent of GDP.⁶⁹

Box 5. Denmark: An equitable model threatened by inequality

Politically, socially, culturally and economically, Denmark is one of the most equal countries in the world. Its Gini coefficient after taxes and transfers is 27.5, below the average in the EU.⁷⁰ The impact of taxes and transfers on Denmark's Gini coefficient is considerable. Denmark is consistently ranked among the top countries in measurements of well-being,⁷¹ and social mobility is high. This is the result of a properly functioning social security net, a flexible labour market (known as the 'flexicurity model') and access to high-quality free healthcare and education (including higher education) for all Danes. Danish society is characterized by social cohesion and a generally high degree of trust among its citizens in social and political institutions.⁷² Most Danes accept the need to pay a relatively high percentage in income tax as they experience the benefits provided by the state.

However, such a broad spectrum welfare system does not come free of charge. Denmark has the highest tax-to-GDP ratio in the OECD.⁷³ Yet, despite their size and scope, Denmark's 'generous welfare services' are only the ninth most expensive welfare option in the OECD. In comparison, the UK, Germany and the US are all in the top five – despite the US not having a free, universal healthcare system.⁷⁴

The Danish model has come under increasing pressure in recent years. Inequality in Denmark is rising and has been for the past 20 years. There is a growing gap between the richest and poorest – the top 20 percent earn nearly four times as much as the bottom 20 percent, a considerably smaller gap compared to other countries in the EU, but still greater than in the past.⁷⁵ In particular, the growing income gap between wage earners and CEOs is cause for concern. Between 2003 and 2012, the average wage of a Danish CEO increased by 23.3 percent. Over the same time period, workers (both skilled and unskilled) received wage increases of only 0.5 percent.⁷⁶ This increasing inequality, alongside decreasing levels of social mobility, is leading to a greater geographical divide between rich and poor people and threatens to undermine the historically high degree of social cohesion in Denmark.⁷⁷ If put under much further pressure, the credibility and trustworthiness of the system to work for the many rather than the few could be jeopardized.

Author: IBIS, Denmark

POVERTY AND INEQUALITY ARE BAD FOR ALL

Left unchecked, high levels of inequality risk causing many more people to fall into poverty in Europe, trapping more in unemployment or low wages and precarious work. Oxfam's *Even It Up* report also highlighted multiple other pernicious consequences of high and rising inequalities within countries around the world.⁷⁸ From slowing down growth prospects to eroding the social fabric of societies and exacerbating health and education inequalities, inequality must be tackled now, for the good of all, but especially the poorest citizens.

Box 6. Extreme inequality is bad for growth and the economy

There is now strong evidence to refute the old wisdom of a trade-off between growth and equality. It is now known that the health and strength of an economy depends on equitable growth. For instance, in 2014 research from the IMF concluded that countries with high inequality experience shortened growth spells.⁷⁹ A further IMF paper in 2015 expanded on this to state that the income distribution itself matters for growth as well; if the income share of the rich increases, then GDP growth actually declines over the medium term, suggesting that the benefits do not trickle down. In contrast, an increase in the income share of the poor is associated with higher GDP growth.⁸⁰

A high level of inequality can hurt the economy by keeping down demand among consumers, as stagnant wages among workers leave little discretionary income for spending. Being dependent on the spending patterns of rich people to prop up an economy is not only unjust, it also introduces volatility and has been cited as a cause of Europe's prolonged recession.⁸¹

Given the poverty-reducing potential of growth, this is highly relevant for pro-poor policy agendas in developing countries. However, inequality equally threatens growth in high-income countries too.

The OECD found, when looking back over the past 30 years, that income inequality has had a significant negative impact on growth.⁸² The OECD analysis, which includes 20 EU countries, found that in Italy and the UK, the cumulative growth rate would have been 6 to 9 percentage points higher had income disparities not widened. In Sweden, Finland and Norway, the increase in inequality, in each case from initially low levels, was also found to have held back growth. On the other hand, in Spain, France and Ireland relatively lower levels of inequality prior to the financial crisis helped to shore up their GDPs. A more recent OECD study underlined the positive impact of redistributive social policies on economic growth.⁸³

Authors: Nick Galasso, PhD., Senior researcher, Oxfam America and Deborah Hardoon, Senior researcher, Oxfam GB

3 A VICIOUS CYCLE OF ECONOMIC INEQUALITY AND POLITICAL CAPTURE

It is economic power that determines political power, and governments become the political functionaries of economic power.

Jose Saramago, winner of the Nobel Prize for Literature⁸⁴

Inequality and political capture – that is, the control of power and politics by an elite group – are profoundly interlinked. Concentrations of wealth provide economic elites with the power and access to lobby and dominate policy making spaces across Europe. This creates a vicious cycle where these elites influence policy making and regulations to benefit their interests, often resulting in policies that are detrimental to the interests of the many, which in turn makes inequality worse and reinforces the power of elites still further.

Wealth accumulation is directly linked to the power to influence decision making, while those suffering from poverty, vulnerability and exclusion lack the capacity to demand fairer policies of redistribution, equal opportunities and empowerment. There is a risk that the dynamics of wealth concentration, political capture and increasing poverty – already common to many countries – will become institutionalized across Europe.

Powerful, unaccountable corporate lobbies

Although exact data on lobbying activities are hard to find due to the lack of transparency that prevails within this industry, available evidence suggests that such lobbying is a large and increasing problem, particularly in certain sectors and policy areas, at both the country and the EU-wide level.⁸⁵

The financial lobby in the EU is among the most powerful. In Brussels alone, it is estimated to have spent €120m in 2013.⁸⁶ Between mid-2013 and the end of 2014, civil servants at the European Commission, the executive body of the EU, had on average more than one meeting every day with a financial sector lobbyist.⁸⁷ The Corporate Europe Observatory estimates that the financial lobby outspent trade unions and civil society organizations by seven to one on matters of post-crisis EU regulation. This has led to claims that regulations have been captured by the financial sector and that influence from other actors, including trade unions and civil society organizations, has been largely ineffective.⁸⁸

Box 7. Political capture and the European financial transaction tax

The negotiations on the European financial transaction tax (FTT – a small tax on financial transactions) illustrate how efforts to create a fairer and more equal European economy are being resisted by the financial sector, which has used its considerable influence to capture the political debate around the FTT negotiations.

The high-risk strategies and speculative transactions of the financial sector played an important role in bringing about the financial crisis that swept across the continent and still affects millions of European citizens today. The FTT would help to discourage future speculative transactions that are not linked to the real economy and that make the system more prone to systemic shocks or crises. The FTT would also raise new revenue, which could be used to offset domestic austerity measures and to support the global fight against poverty, inequality and climate change.

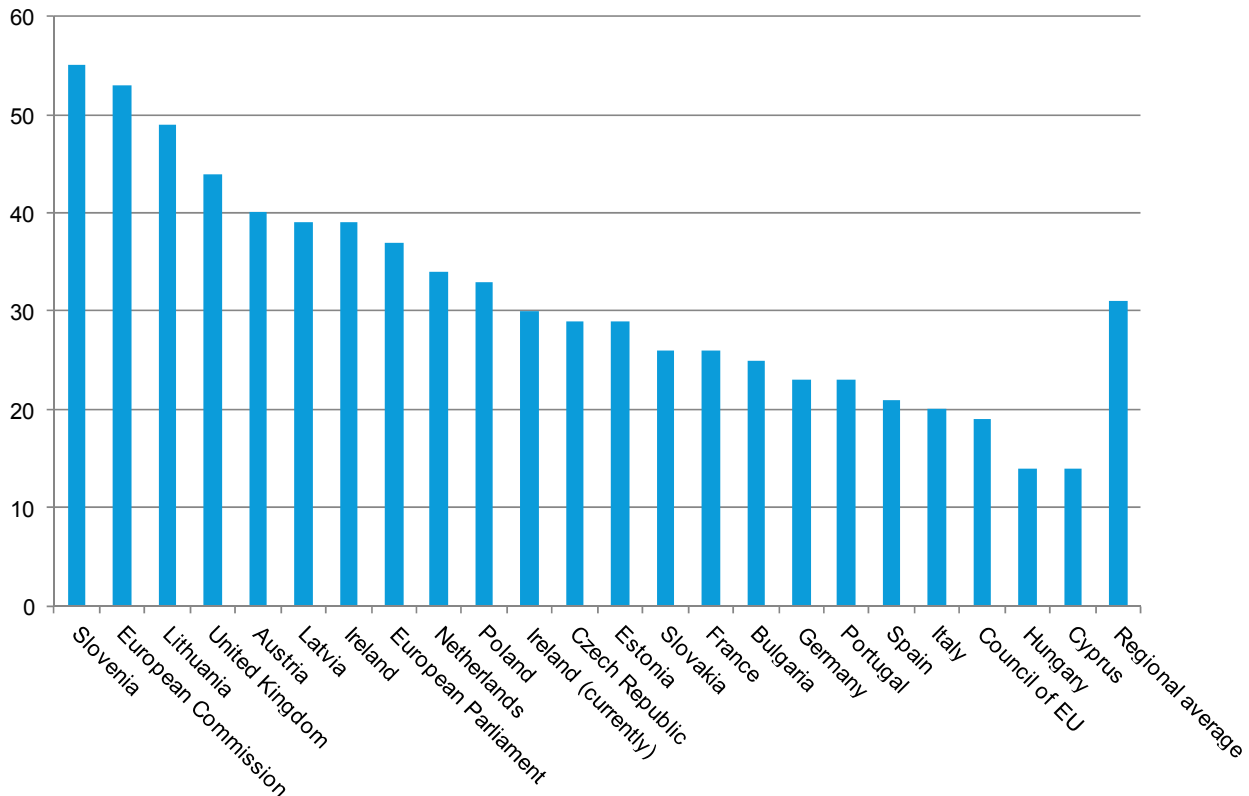
However, the FTT negotiations have been captured by the financial lobby. Oxfam estimates that the financial lobby spends on average €73m every year to try to influence the European Commission over these negotiations. This is a remarkable sum of money, 10 times more than that spent by civil society organizations working in the same field (€7m).⁸⁹ Informally, a civil servant working on the FTT acknowledged to Oxfam that for every meeting request sent by a civil society organization, he receives 40 from the financial sector.

The efforts of the financial lobby have ranged from directly asking the Commission to withdraw the proposal for an FTT, to commissioning reports warning about the ‘uncertainty’ and catastrophic impacts of the tax, but which consistently fail to look at the positive consequences of additional tax revenues.⁹⁰ Until the FTT has been agreed it will not be possible to tell who will come out on top: European citizens⁹¹ or the financial elites trying to protect their own interests. More than a million citizens have asked European governments to agree on an ambitious FTT to fight poverty and climate change.⁹² The negotiations represent a case study about how far small but powerful groups are willing to go in order to capture political processes that have an impact on their interests.

Author: Javier Pereira, EU policy adviser, Oxfam EU Advocacy Office

The cosy relationship between business and politics was identified as a particular corruption risk right across Europe in a 2012 Transparency International report analyzing the integrity of core institutions in countries within the EU.⁹³ Looking across both European and national levels, a subsequent report published in March 2015 assessed EU countries on their transparency, integrity and equality of access for lobbying regulations.⁹⁴ This report found that Slovenia, while still falling short of an excellent score in all three dimensions, was the only country to be classified as having ‘sufficient’ regulation.⁹⁵

Figure 6: Scores for regulation of lobbying in EU countries and institutions (combined un-weighted 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: Deborah Hardoon, Senior researcher, Oxfam GB. D. Hardoon (2015), <http://policy-practice.oxfam.org.uk/publications/background-data-for-oxfam-briefing-a-europe-for-the-many-not-the-few-exploring-575925>, based on data from Transparency International (2015)

Most of the monitoring and analysis of lobby expenditures is currently done by civil society organizations. The LobbyFacts.eu website for example provides interesting analysis of who is lobbying European institutions in Brussels; it shows that more than 60 percent of EU lobbyists represent corporate interests.⁹⁶ While these civil society organizations are doing an essential public interest job, it should not prevent decision makers from regulating for greater lobbying transparency and ensuring that there are sufficient monitoring tools to detect cases of conflict of interest.

Who is really making the rules?

The European Ombudsman⁹⁷ has recently opened an investigation concerning the transparency of wider policy influencing at the European level on the Commission’s expert groups.⁹⁸ The preliminary results of this work suggest that policy making is being influenced not only by direct lobbying, but through the creation of interest groups, often meeting legitimately and privately in Brussels, but whose ‘group-think’ and wide network of influence at every level of policy making becomes highly significant.⁹⁹

Taxation policies are a very good example of a worrying trend of providing privileged space to certain interests. The composition of

European Commission expert groups on taxation reveal much about the corporate interests that are party to decision making at the EU level.

Box 8. European tax policies reflect corporate interests

Tax rules – and the continued existence of tax loopholes and competition between countries to attract profits – are of particular interest to large corporations involved in tax dodging schemes¹⁰⁰ with a strong interest in maintaining the status quo. Therefore it is not surprising to see that they are massively and disproportionately represented in the European Commission’s expert groups.

Until 2012, approximately two percent of participants in European Commission expert groups on tax matters represented a public interest (such as trade unions, consumer groups and civil society organizations). By 2014, this had improved, but 82 percent of participants still represented a private or commercial interest.¹⁰¹ Oxfam is a member of two expert groups on tax matters: the European Commission Platform for Tax Good Governance¹⁰² (since May 2013) and the expert group on automatic exchange of financial account information (AEFI) (since August 2014). In both groups, the private sector is disproportionately represented, including by accounting firms and financial institutions that have allegedly taken part in tax dodging schemes.

While there is a higher representation of non-government organizations (NGOs) and trade unions in the European Commission Platform for Tax Good Governance than in many other expert groups, the overall composition remains unbalanced in favour of corporate interests. Sixty percent of the 15 non-government members represent corporate interests compared to only 20 percent for NGOs and 14 percent for trade unions. This goes against the European Commission’s commitment to the European Parliament that no expert group be dominated by corporate interests.¹⁰³

After the Luxleaks scandal,¹⁰⁴ Oxfam and others officially complained in a letter to the European Commission¹⁰⁵ about the participation of PricewaterhouseCoopers (PwC) in the work of the Platform on Tax Good Governance. This letter argued that there was a conflict of interest and that PwC could not contribute to monitoring the implementation of European tax legislation while at the same time facing allegations of helping multinational corporations to put in place aggressive tax dumping¹⁰⁶ strategies to shift profits to Luxembourg in order to pay as little as one percent in corporate income tax. Similarly, questions have been raised regarding membership of the AEFI expert group, when members like HSBC – involved in the Swissleaks tax dodging scandal¹⁰⁷ – are also advising on implementing European legislation which would compel banks to share essential information with European tax authorities.¹⁰⁸

Author: Catherine Olier, Tax Justice Policy advisor, Oxfam

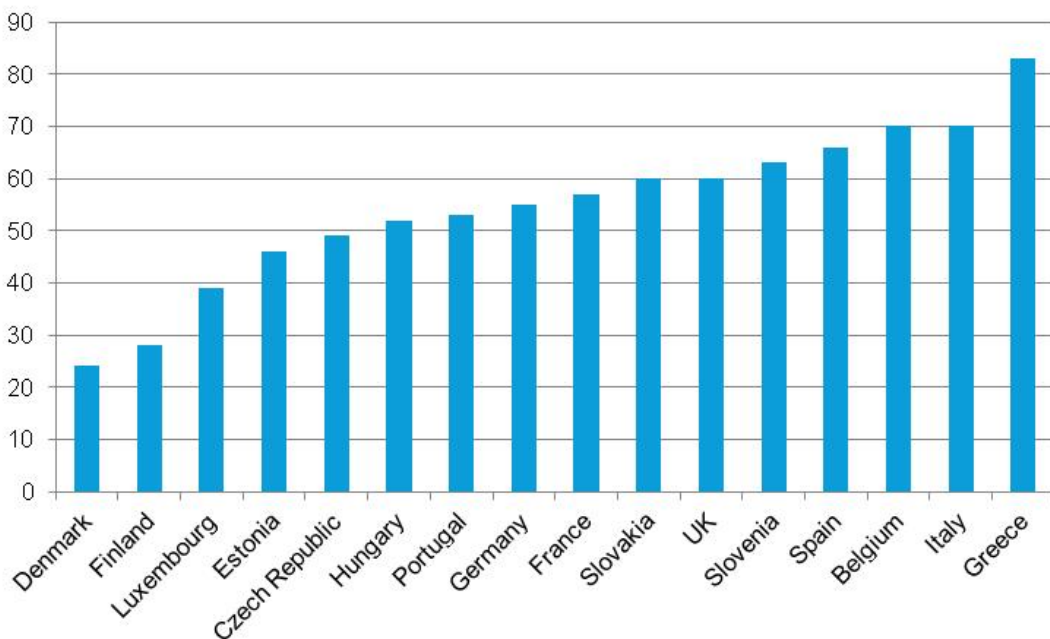
The current joint lobby transparency register, a voluntary approach to EU lobbying requirements (with no sanctions for non-registration), is clearly failing to provide transparency on who is lobbying for what. In the EU, several major companies that are actively lobbying in Brussels are not registered; while underreporting and implausible entries in the register are common.¹⁰⁹

POLITICAL CAPTURE LEADS TO INCREASING DISAFFECTION

This 'culture of interests' and the tendency to keep working with those who lobby regularly rather than seeking out new stakeholders has led to social, environmental and economic policies that too often do not reflect the public interest and increase the democratic gap between EU institutions and European citizens.¹¹⁰

Many citizens in Europe are aware of the dynamics of political capture that are central to their lives. A 2013 survey found that the majority of European citizens perceived their governments as dominated by the vested interests of a few.¹¹¹ This was particularly so in countries suffering the worst repercussions of the global financial crisis: more than 80 percent of people living in Greece, 70 percent in Italy and 66 percent in Spain.¹¹²

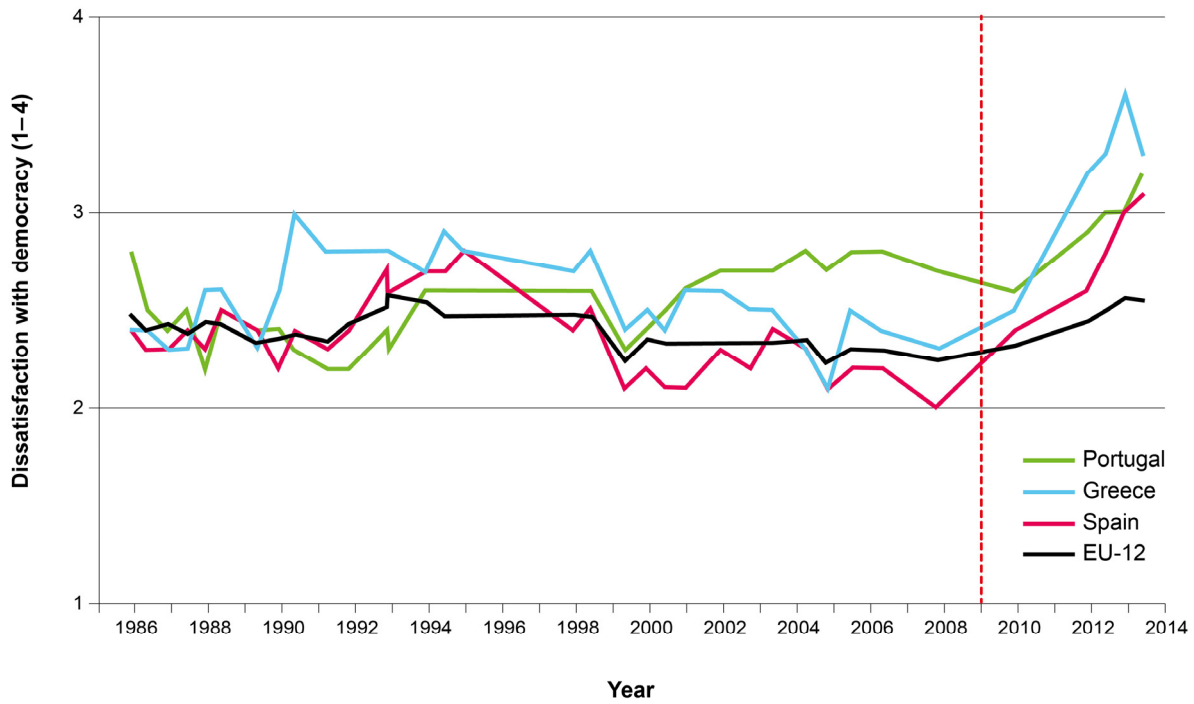
Figure 7: Percentage of respondents who believe their government favours the interests of elites (2013)



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

As a result, many citizens feel increasingly disaffected towards their own governments, national and European institutions and the overall functioning of democracy. For example, Eurobarometer survey results between 1986 and 2013 indicate that a majority of citizens in the southern Mediterranean are dissatisfied with democracy (Figure 8).

Figure 8: Dissatisfaction with democracy in Greece, Portugal, Spain and the EU (1986–2013); values: 1=very satisfied to 4=very dissatisfied)¹¹³



Source: D. Muro and G. Vidal (2014), <http://blogs.lse.ac.uk/euorppblog/2014/03/13/persistent-unemployment-poses-a-substantive-threat-to-democracy-in-southern-european-countries/#comments>, data from Eurobarometer

The combination of political capture dynamics, unacceptable levels of poverty and inequality, and increasing disaffection across EU societies constitute a worrying threat to the proper functioning of democracies.

4 OTHER DRIVERS OF INEQUALITY AND POVERTY IN EUROPE

Internal devaluation has resulted in high unemployment, falling household incomes and rising poverty – literally misery for tens of millions of people.

László Andor, former European Commissioner for Employment, Social Affairs and Inclusion¹⁴

The levels of equity in any society are strongly influenced by policies relating to wages, taxation and public spending. These policies should ensure the sustainability of public services as well as redress inequalities and promote equal opportunities for all. Three factors are key to this:

- Wages are a determinant of income levels;
- The tax system determines who will pay taxes, how much they will pay, the volume of public revenue collected and the degree to which wealth and income are redistributed;
- Social policies, as the main redistributive tool, determine the provision and coverage of those public services provided by the state.

Most of these policies are drafted, agreed and implemented at national levels by EU member states. But EU institutions play a crucial role in shaping their orientation. The reality is that policies adopted by EU member states have, in too many cases, reflected the interests of economic and financial elites rather than those of the majority of society, including the most vulnerable and poorest citizens. That is the case with the privatization of public services, like healthcare or education, which benefits the owners of private providers; or the liberalization of financial markets that enabled tax dodging by large multinational companies and wealthy private individuals; or the reduction of top marginal tax rates that benefit those with higher incomes and wealth. This pattern is even clearer with the policies adopted by some EU member states since 2008 in response to the financial crisis.

Box 9. EU institutions at the core of the austerity measures

As an informal but very powerful group, the Troika has been at the forefront of policy making for countries under economic stress.¹¹⁵

There are two mechanisms through which their policy influence is applied:

1. The **Troika programmes** imposed on Spain, Portugal, Ireland and Greece, exchange access to credit for severe cuts to certain areas, including public sector employment, extending privatization of public services and deregulating the labour market.
2. The **Fiscal Compact**¹¹⁶ has introduced, and in practical terms is implementing, austerity measures on a long-term basis into the governance mechanisms of the EU.¹¹⁷ It installs a maximum limit of 60 percent of debt with reference to national GDP, and prevents any new indebtedness beyond 0.5 percent of GDP per year. All governments that transgress these limits have to ask the European Commission and the European Council to approve their national budgets. Violations of the compact can be punished with financial sanctions. The agreement with the compact was established as a condition in order to get access to the European Stabilization Mechanism (ESM).

Both mechanisms offer access to credit lines – desperately needed in times of crisis – at a cost of tight national economic policy control at the European level.

These mechanisms are not safeguarding the needs of ordinary people. The fiscal compact (as a constitutional anchor for austerity policies inside the EU) and the Troika programmes (as funding mechanisms) are preventing governments from acting outside the framework of austerity while at the same time protecting private assets that could be at stake if policies that put people first were implemented instead.

Effectively, these EU mechanisms have ignored the social needs of millions of European citizens living in highly vulnerable situations at or below the poverty line.

Author: Jörg Nowak, Researcher on social inequality, Oxfam Germany

4.1 AUSTERITY MEASURES: A MEDICINE THAT KILLS

Austerity measures implemented across Europe – based on short-sighted, regressive taxes and deep spending cuts, particularly to public services, such as education, health and social security – have dismantled the mechanisms that reduce inequality and enable equitable growth. These measures are having a severe impact on European societies, at a time when many countries are already experiencing historic high levels of unemployment, and women are still suffering unequal access to opportunities in many countries.¹¹⁸

Education and training are important factors in determining an individual's subsequent earning capacity and social mobility.¹¹⁹ Limiting access to education and vocational training – through fewer publicly funded options and fewer scholarships – can contribute to increased inequality. Income inequality depresses skills development among individuals whose parents

have low educational attainment. Children from poor households are more likely to reduce their education in terms of quantity (e.g. the number of years of schooling) and quality (i.e. their range of skill proficiency). The educational outcomes of individuals from richer backgrounds, however, are not affected by the levels of income inequality in a society.¹²⁰

Austerity has exacerbated gender inequality in a number of dimensions.¹²¹ Reduced spending in the public sector means that women, who make up the majority of public sector workers, are more likely to lose their jobs or see a negative impact on their wages. Reduced public services, such as health, education and childcare, also increase the burden of care which falls to women. According to research conducted on the impact of austerity in Europe,¹²² after the financial crisis mothers of small children were less likely to be employed than before and more likely to attribute their lack of employment to cuts in care services.¹²³ As public services and social protection measures, such as parental leave are cut, women are more likely to take up part-time work in order to manage their care responsibilities, which limits their earning potential.¹²⁴

Cuts in public spending

In some countries, cuts in public services were agreed as part of the EU Troika programmes (for example, in Greece, Portugal and Spain). A recent study of seven European countries shows how spending cuts increase inequality even more than increases in taxes on consumption.¹²⁵ In 2010, spending on health in Europe recorded its first drop in decades. In Spain, public expenditure on health and education has dropped by 21 percent since 2010.¹²⁶

For these countries, this has meant the loss of huge numbers of public sector jobs and vital public services. Significant personnel cuts in the public sector have been reported in Greece (down by 25 percent), Portugal (down by 10 percent) and Romania (also down by 10 percent). In the UK, it is estimated that 710,000 public sector jobs will be lost by 2017 and it is estimated that around twice as many women as men will lose their jobs.¹²⁷ In some countries, the cutbacks have focused on female-dominated sectors, such as education, health and social work.¹²⁸

In addition, both Spain and Ireland have cut public sector wages, while in the UK and Portugal, they have largely been frozen.¹²⁹

Moreover, European governments have significantly cut social security budgets. Greece, Latvia, Portugal and Romania all saw decreases of more than five percent in their 2011 budgets.¹³⁰ As social security budgets have fallen, Europe's poorest people have faced a loss of services and support. Some countries have reduced social security payments in real terms,¹³¹ making it harder for families to cope with unemployment and to meet the cost of living.

Privatization of public services

As part of their austerity measures, many countries have taken steps to privatize public services, with the aim of reducing government budget

deficits. Greece, Portugal, Spain and Ireland have faced significant pressure from international institutions to privatize public utilities, for example by selling off state-owned energy, water and public transport companies, as well as healthcare institutions.

Although there is scope to improve the effectiveness and efficiency of social policies and public services, this trend towards increased privatization leads to a segmentation of opportunities, skewing benefits towards the wealthiest. Moreover, public money and critical resources, such as health workers, are diverted away from the public sector and towards for-profit services that serve a minority of people, further deepening inequality. A downward spiral of deteriorating quality in the public sector and increasing economic inequality can be set in motion when private healthcare and education¹³² benefit only those who can pay, rather than those most in need.¹³³

Box 10. Time to end Ireland's unequal two-tier healthcare

The inequalities in Ireland's healthcare system have been well documented. Ireland has what is often described as a two-tier system, where access to healthcare is based on financial resources and geographical location rather than on need. Approximately 45 percent of the population has private health insurance, which offers access to private hospitals and specialist care, while roughly 39 percent of the population hold medical cards, offering limited free access to public health services.

There is concern that recent austerity measures have widened this divide. Since 2008, the health budget in Ireland has been cut by 12 percent; the harshest cut to a health budget in Europe as a percentage of the national budget. At the same time, decreasing incomes and rising unemployment rates (10.1 percent as of February 2015) have forced many out of expensive private health insurance schemes. The number of private health insurance holders decreased by 245,000 between 2008 and 2014.

With such a fragmented private-public healthcare system, there is wide support in Ireland from across the political spectrum and civil society for universal access to healthcare. However, there is little agreement on how to achieve this. It has been argued that introducing universal healthcare in Ireland will be too expensive and over-complicated. However, universal healthcare costs could be offset against the potential savings arising from prevention strategies. Additionally, a fairer tax regime would increase public revenues, which could then be used to increase public investment in health services and deliver free healthcare for all.

Attempts by the current Irish government to deliver universal access to health have employed a model of universal insurance through competing private health insurers, a complex and fragmented model. Ireland should instead include a right to essential healthcare in its constitution and initiate a whole government approach to health policy, prioritizing public financing and delivery of care to see health for all realized.

Author: Helena O'Donnell, Public Affairs and Communications, Oxfam Ireland¹³⁴

Lower wages and poorer working conditions

Countries implementing austerity measures have also deregulated their labour markets, relaxing employment regulation and reducing the rights of workers. This has been done on the assumption that it will promote a private sector-led recovery that mitigates the losses from public sector cuts. Yet, importantly, increases in labour market ‘flexibility’ have not been accompanied by social protection measures that could have protected those suffering from income insecurity.¹³⁵

This, together with the erosion of collective bargaining systems, is very likely to result in widening inequality and a continued drop in real wage values.¹³⁶

Box 11. Europe: An arena of wage competition and weakened collective bargaining

Cutting public deficits has been one of the pillars of the economic strategy promoted at the European level; the other has been to squeeze wages so as to become more competitive. European policy makers have embraced the idea that, in the absence of currency devaluation, wages must be devalued.

Workers across the Eurozone have become contestants in a game where individual countries try to escape the financial crisis and reduce unemployment by poaching jobs and economic activity from their neighbours. In this race to the bottom however, there can only be one ‘winner’ and that is the member state that cuts wages the most.

Minimum wages in Spain and Portugal were frozen in nominal terms for several years. In Greece, minimum wages were cut by 22 percent for adult workers and by 32 percent for younger workers. Public sector wages were the next target, as these were thought to have an important signalling effect on private sector wage deals.

The main focus, however, has been on systems of collective bargaining. Policy makers have significantly weakened these in a variety of ways. Legal measures that supported collective bargaining and ensured wide coverage were withdrawn or dismantled. Company-based agreements were allowed to undermine the standards of sector-level agreements. In certain cases, the shift to company-based agreements was even promoted by giving non-union employee groups, in most cases set up by the employer, the possibility to undercut the agreement negotiated by representative trade unions.

These are not just measures ‘at the margin’. They are reforms that strike at the heart of the system of collective bargaining itself. The number of workers covered by collective bargaining has collapsed in those countries where the most far-reaching measures were taken. In Portugal, the number of workers covered by collective bargaining shrank from 1.7 million in 2008 to just 100,000 in 2014.

International comparisons show that high coverage rates for collective bargaining are closely associated with lower levels of inequality. Bargaining collectively allows for the wages of workers in the lower half of the wage distribution to be strengthened. Also, as researchers from the IMF have pointed out recently, ‘lower unionization is strongly associated with an increase in top income shares in advanced economies during the 1980–2010 period.’¹³⁷

The policy of wage devaluation that is being implemented across Europe will have a significant negative impact on inequality. At the same time, weakened collective bargaining will also exacerbate existing inequalities between women and men, as fragmented wage formation systems or systems where the 'management's prerogative' to unilaterally decide wages is restored, will not adhere to the measures to promote gender equality.

Author: Ronald Janssen, Chief Economist of the European Trade Union Confederation (ETUC)

4.2 UNFAIR TAX SYSTEMS

Tax policies can play a crucial role in reducing inequality in two essential and complementary ways:

- By making the post-tax income distribution less unequal, when the tax system is designed in such a way that those who have more (in terms of wealth and/or income) contribute more;
- By raising sufficient revenue to finance investments in public goods that contribute to equal opportunities for all (such as healthcare and education for all and social protection). Here, how much is collected is as important as who contributes and what is taxed.

However, taxation trends within European countries are in general going in the opposite direction, rather than building fair and equitable tax systems to correct inequalities. Given the pressure created by the effects of the financial crisis and budget consolidation requirements, there is no doubt that additional tax revenue are needed, but it is being raised in a way that puts an unfair burden on average citizens and the most vulnerable among them. Instead, tax-to-GDP increases could be achieved by broadening tax bases to get the more affluent to pay more, as well as by putting an end to all abuses of the corporate tax system by large companies that erode tax bases, both at the EU level and in developing countries.

Sweden and Denmark are among the EU countries with higher tax-to-GDP ratios (44.2 percent and 48.1 percent respectively in 2012).¹³⁸ They collect more from direct taxes and have a higher implicit tax rate on capital – signs of more progressivity in their tax design. At the other end of the scale, the tax-to-GDP ratios in Portugal and Greece are around six points below the EU average of 39.4 percent¹³⁹ and are much more dependent on consumption taxes as part of their total tax collection. Consumption taxes, such as VAT, are typically regressive, especially if reduced rates on basic needs are still relatively high, as in Greece.

Box 12. Spain: An unfair and regressive tax system

The Spanish tax system is unfair, regressive and inequitable, showing a strong bias towards labour and consumption instead of capital or wealth. Around 90 percent of total tax collection relies on contributions from families and average citizens through personal (labour) income and consumption taxes, while corporate income taxes from large companies only represent two percent of total tax revenue.¹⁴⁰ Tax revenue has now recovered to its pre-crisis level across a range of taxes, except for those relating to corporate income, which had a 56 percent lower collection level in 2014 compared to 2007, amounting to €25bn less revenue.¹⁴¹

Tax reforms passed in December 2014 might not contribute to reducing such imbalances and might even widen the inequality gap, with reductions on personal income tax rates mainly benefiting high earners, an even lower treatment for capital gains, no wealth tax and five-point cuts from the marginal corporate tax rate for consolidated corporate groups (down to 25 percent).

Large companies are already using loopholes, aggressive tax planning schemes and privileged tax incentives to reduce their tax bills to the minimum, with an effective tax rate for large companies of 5.3 percent instead of the 30 percent statutory rate.¹⁴² This is in contrast to small and medium-sized enterprises (SMEs) who continue to pay 16 percent compared to their 25 percent nominal tax rate.¹⁴³ If the tax burden on large companies was at least the same as those for SMEs, €8bn in additional revenue could be collected, equivalent to scholarship fees for more than one million students.¹⁴⁴

In the midst of the economic crisis, the 35 largest listed Spanish companies (IBEX35) increased their subsidiaries in tax havens by 44 percent, now totalling 810.¹⁴⁵ Foreign direct investment from Spain to tax havens seems to be thriving, with a 205 percent increase last year.¹⁴⁶ But, most of this investment is channelled through special investment entities, with the only purpose of abusing the system to pay less tax. Spain is in fact the second largest investor in Spain, just after the United States – money leaves Spain, goes through a tax haven and returns back to Spain as foreign investor.

Author: Susana Ruiz. Senior Adviser on Fiscal Justice, Oxfam Intermón. Based on Oxfam Intermón's papers 'La ilusión fiscal' (2015) and 'Tanto tienes, ¿tanto pagas?' (2014).

Since 2010, tax collection levels in the EU have been steadily recovering to above pre-crisis levels.¹⁴⁷ But the design of the taxation systems shows a worrying bias towards taxing labour and consumption more heavily than capital. High earners, the wealthiest individuals and the most profitable large companies are better treated than ever by EU tax systems.

Most countries reacted to budget consolidation requirements by increasing their VAT rates; while top personal income tax rates have only now recovered to pre-crisis levels; revenues from top corporate income tax rates have dramatically fallen by 24 percent in 2013 compared to 2007; and most countries have almost abolished wealth taxes and are reducing taxes on capital gains.

Box 13. Belgium needs a real tax shift

Belgium has more of a fiscal than a budgetary problem, according to several Belgian academics.¹⁴⁸ In the aftermath of the economic and financial crises, successive Belgian governments have tried to reach a fiscal balance by implementing austerity measures, which have often targeted the welfare system. This risks worsening the already worrying social and economic situation in Belgium. The latest figures on poverty are alarming: one in every five people risks falling into poverty or social exclusion, while more than 15 percent of the population lives below the poverty line. Brussels, the heart of the EU, provides a good illustration of the sharp social divisions that characterize the country: 40 percent of young people aged 15 to 24 live below the poverty line.¹⁴⁹ Wealth is also very unevenly distributed among the Belgian population: the richest five percent own as much wealth as the poorest 75 percent.¹⁵⁰

At the same time, Belgium remains a haven for profitable multinational corporations and wealthy individuals seeking to pay as little tax as possible. Several fiscal schemes are in place to attract foreign investments (such as patent boxes, notional interest deductions¹⁵¹), and are actively promoted abroad by the finance administration.¹⁵²

However, the tax competition Belgium wages with its neighbours is increasingly being challenged. The European Commission launched an investigation to assess whether the Belgian tax system complies with EU competition rules¹⁵³ and the European Parliament is currently looking at several Belgian fiscal mechanisms.¹⁵⁴ During the last year, public pressure has also been rising to instigate a 'tax shift' in order to rebalance the tax burden, which falls heavily on consumers (through VAT) and labour,¹⁵⁵ towards greater taxation on corporate income and wealth. Although Belgian trade unions and civil movements fought hard to make sure that this tax shift will be progressive, the outcome has been disappointing. The government will address the tax burden on labour, but will compensate for the lost revenue by imposing higher taxes on consumption, while multinationals and the wealthy remain largely unaffected. Poverty organisations warn that this form of regressive taxation, in combination with ongoing budget cuts in public services, will lead to more poverty and inequality in Belgium for lower and middle incomes.¹⁵⁶

Author: Leïla Bodeux, Policy Officer Essential Services, Oxfam-Solidarité

Making the fight against tax dodging and tax dumping a real European priority

One estimate by the EU puts the cost of tax evasion and avoidance to the EU at €1 trillion a year,¹⁵⁷ enough to double the total public health investment in all EU countries – equivalent to five bail-outs to Greece.¹⁵⁸

Since the financial crisis, the European Commission has launched a new governance and surveillance mechanism to follow up on member states economic and fiscal commitments, called the European Semester. Once a year, the Commission provides a detailed analysis of EU Member State's plans for budgetary, macroeconomic and structural reforms with recommendations that can turn into policy warnings if not implemented, even into sanctions. So far, this dialogue is playing a key role especially

on countries in fiscal difficulties. But the Commission has not always brought the most progressive advice to member states, most of the time prioritizing revenue collection over impact on inequality.¹⁵⁹

The cumulative effect of tax scandals¹⁶⁰ has been a wake-up call for the European Commission, which has instigated in-depth investigations against member states for possible illegal state aid – creating harmful tax competition within the EU.¹⁶¹ This shows how fighting tax avoidance is not just a global problem, but a very European one as well, which requires addressing the behaviours of certain EU countries which are siphoning off other countries' tax bases – in contradiction with the EU obligation of solidarity. It is no coincidence that the highest mean levels of wealth can be found in Luxembourg, a tax heaven in the heart of Europe.¹⁶²

In December 2012, the European Commission adopted two recommendations for member states on tax havens and unfair tax competition. However, monitoring work by the Commission Platform on Tax Good Governance shows that little or no progress has been made on these issues, mainly as a result of a lack of political will or trust among member states to act in a concerted European manner.¹⁶³

Box 14. EDF: A European tax avoidance tour

Even as the French government claims that fighting the tax evasion of rich individuals who hide their assets in offshore jurisdictions is a political priority, French companies continue to take advantage of loopholes in the European tax system. In particular, some state-owned companies are using subsidiaries in other countries to cut their tax bills in France. EDF (Electricité de France), the French energy company, which is 84.5 percent owned by the French state, has recently been under the spotlight for its tax avoidance practices.¹⁶⁴ EDF insures all of its power plants through two insurance companies: Allians and Elini. These in turn use a portion of the insurance fees to re-insure the plants with two other insurance companies Océane Ré and Wagram, based respectively in Luxembourg and Ireland. Both are fully owned by EDF itself. Therefore, part of the insurance fees that EDF is initially paying to Allians and Elini is ending up in EDF offshore subsidiaries, where EDF can benefit from much lower tax rates.

EDF continues its European tax avoidance in Belgium. Through its Belgium investment holding, EDF Investment Group, EDF has used the Belgian system of 'notional interest deduction' to reduce its taxable base and lower its effective tax rate to 0.3 percent for the €306m profits made in 2011.¹⁶⁵

Furthermore, EDF uses several mailbox companies in the Netherlands to hold its investments in two Polish companies managing three major Polish power plants.¹⁶⁶ Although the precise reasons for routing these investments through Dutch mailbox companies are unclear, it is likely that this structure is tax related as well.

From Luxembourg to Ireland, Belgium and the Netherlands: EDF charts a tax avoidance tour through Europe's tax havens. As France is the main shareholder of EDF, it is paradoxically responsible for its own budget deprivation and that of other European countries as a result of EDF's tax-dodging practices.

Author: Manon Aubry, Senior Advocacy Officer, Tax and Inequalities, Oxfam France

Several tax reforms have been adopted over the past years as first steps towards greater tax fairness. Relatively good progress has been made to tackle tax evasion in relation to private wealth (including issues such as automatic information exchange in Europe, and transparency of beneficial owners in anti-money laundering legislation). However, less attention has been given to putting in place the right legislative measures to tackle corporate tax avoidance, including knowing where companies pay taxes, harmonizing tax bases across Europe and supporting ambitious reforms at the international level.

In the wake of the LuxLeaks revelations, in 2015 the European Commission put forward new proposals. The first, a Tax Transparency Package, was released on 18 March 2015. In June, the European Commission presented an Action Plan on corporate taxation. Whilst both of these include steps towards more transparency and harmonization, the proposals do not go far enough.¹⁶⁷

Box 15. Inadequate tax regulations harm poor countries as well

Increasing revenue collection and improving fairness in EU tax systems must not be achieved at the expense of developing countries. EU tax policies should be designed in a way that also contributes to a positive impact in less advanced economies. Multinational corporations should pay their fair share of taxes where their profits are generated. But this is not the case. Unfair tax competition within the EU is leading to substantial tax losses for EU tax administrations, as well as for developing countries. It is estimated that less advanced economies are losing €100bn every year because of tax dodging and non-productive tax incentives. These losses could have almost paid the \$120bn needed to meet the Millennium Development Goals (MDGs) related to poverty, education and health.¹⁶⁸

The EU actively contributes to the corporate tax race to the bottom

EU governments often claim to be 'tax competitive' while essentially driving down standards to try to attract the business of multinational corporations.¹⁶⁹ Most EU countries have a high number of tax treaties with developing countries, which often push down the taxation levels on financial transfers and create routes through which multinational corporations can avoid taxation. The outcome is invariably a loss in tax revenues. Spanish Double Tax Treaties with developing countries have reduced withholding tax rates with them more than any other European country (by 5.7 percent).¹⁷⁰

The EU cannot turn a blind eye to how European tax treaties, counter-productive tax incentives and other kinds of harmful practices negatively impact developing countries. European tax policies have a direct impact outside the EU and under the policy coherence from development principles enshrined in the Lisbon Treaty, European countries should refrain from impeding developing countries to raise their own tax revenues.

Author: Esmé Berkhout, Policy Adviser Tax Justice/Even It Up campaign, Oxfam Novib

5 AN AGENDA FOR THE MANY, NOT THE FEW

The strategy ought to be a consistent and integrated strategy not only for economic progress but also for social justice. It implies addressing tensions between generations and enhancing trust on issues like mobility and migration.

Friends of Europe, Spring 2015¹⁷¹

Europe, including national governments and EU institutions, must take action to halt the growth of extreme economic inequality and the widening social divisions among and within member states. The EU needs to reclaim its founding values of social progress, cohesion and fairness. This will require the EU leadership to move away from austerity policies towards rebalancing inequalities. EU citizens need to feel that they contribute to a system that is able to generate better opportunities for their children, and that supports gender equality.

Policies to reduce income inequalities should be pursued in order to improve social outcomes and sustain long-term economic growth. Redistribution policies via taxes and transfers are a key tool to ensure the benefits of growth are more broadly distributed. Results suggest that such redistribution will support growth, rather than undermine it:¹⁷² the IMF points to the income shares of the poor and the middle class as the main engines of growth.¹⁷³ Alongside redistribution and investment in social spending, it is also important for EU countries to promote equality of access to and the quality of education, as well as access to decent work.¹⁷⁴ EU states that invest more in social policies like health and education, and that have good social protection systems and a flexible labour market support, are among the most prosperous in the EU, and have higher levels of gender equality. They have better resisted the negative impact of the financial crisis, both in social and economic terms, proving that investing in social protection as a tool to fight poverty and inequality is an economically sound policy.¹⁷⁵

RECOMMENDATIONS

The EU and its member states urgently need to tackle four major policy areas in order to secure greater levels of equality and development for their citizens. The following recommendations are guiding principles, which have great relevance across the EU, but which will need to be adapted for different institutional and national contexts.

1. Strengthening institutional democracy

EU policy making must be better protected from vested interests and more democratic. Counter-balancing the excessive influence of powerful interests on policy decision-making requires the active participation of

citizens in the surveillance of the decision-making process, as well as transparency and accountability from public institutions. The potential for organized citizens in EU countries to mobilize to affect change is clearly an essential opportunity to rebalance the inequality of how power influences decision making at national and EU levels.

Oxfam believes that development happens, in Europe and beyond, when governments are accountable and citizens are active. Therefore, the following steps are needed in order to reclaim the political space for the many and to influence government policy in the public interest.

1.1 Greater participation in democratic processes by all stakeholders

- Citizens should be supported to engage in democratic processes at local, national and European levels. Budgeting and resource allocation, in particular, should involve local stakeholders, especially women and marginalized groups. Oxfam and other organizations have extensive experience of the benefits of participatory budgeting, and this should now be applied in Europe as well.

1.2 Greater transparency and accountability of political processes

- Good quality information on administrative and budget processes (including procurement), which is public, free and easily accessible, should be strengthened. The role of parliaments as spaces for dialogue where those in power are held accountable to citizens must be enhanced. Governments must educate their citizens on their rights and responsibilities.
- Mandatory public lobby registries should be created in all member states and at EU institutions, including the Commission, Parliament and Council. The registries need to be fully transparent, comprehensive and reliable.
- There should be a balanced composition and stronger rules on conflict of interest for participation in expert groups advising decision makers on policy making. No interest group or single stakeholder should have a majority of seats. Socio-economic and environmental interests should be considered on a par with commercial interests, where relevant to the content of the expert group.
- There should be better monitoring and enforcement of existing tools, as well as appropriate sanctions implemented for lobbyists infringing codes of conduct or other mandatory regulations on lobbying.

2. Re-invest in public services

Social policies are primarily the responsibility of member states, but the EU plays a fundamental role providing long-term vision and convening a common model and plan for social development. Some of the Europe 2020 Initiatives¹⁷⁶ – conceived as part of the EU's growth strategy – point in that direction. EU member states must invest in high-quality, accessible and affordable social, health and education services, rather than reduce their funding, and the EU should influence member states in this direction.

Public services are not a luxury, but an investment in the future, guaranteeing human development and equality of opportunity for everyone. Investing in stronger social protection systems will safeguard vulnerable people in the short term and help combat inequality over the longer term.

2.1 Guarantee free, public, universal education and healthcare for all, in order for governments to fulfil their human rights obligations to their citizens

- Unequal access to education often leads to inequality of opportunity and the entrenchment of poverty for future generations.
- Unequal access to healthcare can mean the difference between life and death. Having no choice but to pay out of pocket for healthcare can represent a constant drain on family resources, further impoverishing those most in need.
- Suspend new and review existing public incentives and subsidies for healthcare and education provision by private for-profit companies.

2.2 Assess the impacts of austerity measures on access to essential services and inequalities

- Governments must avoid any erosion of people's economic and social rights, whether through weakened legal protection or through cuts to essential services, and must systematically assess the impact of their reforms against their duty to fulfil citizens' rights.

2.3 Prioritize gender budgeting and systematically analyze proposed economic policies for their impact on girls and women.

- Allocate funding in ways that promote gender equality including redistributing care responsibilities.
- Governments should ensure that economic policies do not undermine gender inequality, for example through increasing the burden of care on women or disproportionately affecting their employment.

2.4 Develop social protection systems that respond to the most vulnerable

- Protecting low-income households is essential to address inequality and to prevent severe poverty. Policies could include social services aimed at children and young people, which can be particularly effective in combating child and family poverty.
- The EU should develop a policy on the overall quality of minimum income protection, with minimum wages playing a key role together with social security policies. Minimum income protection systems should be assessed with reference to the economic development of each EU country.¹⁷⁷

Box 16. The need for social investment

The European Social Platform – the platform of European social NGOs – welcomed the EU investment plan – worth some €315bn – proposed by European Commission President Jean-Claude Juncker. It is calling on Europe to tackle economic inequality by:

- Re-investing in high-quality and affordable social, health and education services.
- Ensuring Europe's 2020 growth strategy strikes the right balance between economic and social priorities. A rights-based approach should be applied across all policies. Moreover, the strategy should include a specific target on economic inequality, in addition to that on poverty and social exclusion.
- Ensuring economic growth is inclusive and jobs are of high quality – for example, by ending zero-hour contracts and 'mini-jobs' (sporadic, low paid assignments), and guaranteeing minimum income and a minimum wage across all EU member states. Specific attention should be given to help integrate women into the labour market.
- Investing in ambitious and integrated social policies, including social protection, social services and the social economy, in line with the 2013 Social Investment Package.

Although the current situation leaves a lot to be desired, the future is not all doom and gloom. The ramifications of austerity measures are becoming more widely accepted and Social Platform will continue to raise concerns about such damaging economic policies in the run-up to the mid-term review of the Europe 2020 strategy scheduled for late 2015. We will be also pushing for comprehensive, binding action plans for achieving the social headline targets and combating inequalities, and stakeholder involvement to allow NGOs to give their feedback on how the strategy can best serve the people of Europe. This, after all, should be the primary aim of the EU's activities according to its treaty.

Author: Pierre Baussand, Director of European Social Platform

3. Decent work and wages

Greater investment in people and jobs is the route out of the financial crisis. Political choices need to be made to allocate spending priorities that put people first.

3.1 Target employment creation

- Employment must be connected with social protection systems. The EU and member state governments should consider the implementation of a social protection floor.

3.2 Address the gender pay gap and agree action plans to reduce gender inequality in compensation and seniority

- Women continue to earn less than men for equal work, and are concentrated in low-paid sectors. Progress on increasing women's leadership at work has been slow and needs specific interventions to address it.

3.3 Recognize the contribution of unpaid care work and help reduce the burden of unpaid care work disproportionately borne by women by providing child and elderly care and paid family and medical leave, flexible working hours and paid parental leave

- Women's unpaid care responsibilities affect their ability to access equal work and affects their income earning potential. Cuts in public services and a lack of parental leave policies mean that their responsibilities are increased.

Box 17. European Trade Union Confederation (ETUC) recommendations

The basic fact is that markets, when left to their own devices, will distribute income to favoured actors. To prevent high and rising inequalities and poverty rates, markets need to be corrected. The following three proposals would contribute to doing that:

- Stop reforms that aim to have workers compete and undercut each other;
- Where applicable, boost minimum wages as these can ensure a floor below which wages should not fall;
- Importantly, promote and strengthen collective bargaining systems so that trade unions can negotiate fair wages and decent working conditions.

Author: Ronald Janssen, Chief Economist of the European Trade Union Confederation

4. Tax justice

Oxfam is calling on EU institutions and member states to:

4.1 Adopt a comprehensive transparency reporting framework for large companies operating in Europe to record whether they are paying taxes where their real economic activities occur. The framework should record:

- What are companies paying – a mandatory and public country-by-country reporting framework for large companies in all sectors;
- Bilateral government arrangements – a coordinated framework requiring member states to publish all tax rulings signed with large companies;
- Who the real owners of companies are – to create fully public national registers providing accessible information on beneficial owners of companies and trusts.

4.2 Increase cooperation for improved efficiency in the EU to fight tax dodging, including:

- A common European blacklist of tax havens based on objective criteria together with sanctions against those jurisdictions and companies not respecting European tax good governance standards;

- A mandatory common consolidated corporate tax base in Europe, to ensure taxes are paid where profits and real economic value is created and to avoid harmful tax competition within the EU.

4.3 Pay greater attention to the impact of its tax policies in developing countries and support them to increase their tax revenues progressively, including:

- Conducting analysis on the 'spillover' effects on the tax base of other European and developing countries of current national and European tax policies and of any new European legislative proposal on tax. The outcomes of these investigations should be made publicly available, and provide public recommendations for change;
- Supporting the international equal participation of developing countries on tax discussions by ensuring an inclusive international tax architecture where all countries are participating on an equal footing in the tax decision making process.

4.4 Promote progressive national tax systems across Europe, including:

- Reversing the trend of biasing tax towards labour and consumption instead of wealth and corporate profits, and exploring opportunities for new taxes, especially environmental taxes to reduce Europe's carbon emissions in the future;
- Exploring the possibility of a European wealth tax to address extreme wealth concentration;
- Better monitoring and documentation of the redistributive impact of tax policies on inequality in Europe.

NOTES

- 1 The at-risk-of-poverty rate is the share of people with an equivalized disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 percent of the national median equivalized disposable income after social transfers. This indicator does not measure wealth or poverty, but low income in comparison to other residents in that country, which does not necessarily imply a low standard of living.
- 2 Material deprivation refers to a state of economic strain, defined as the enforced inability (rather than the choice not to do so) to pay unexpected expenses, afford a one week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, material goods such as a washing machine, colour television, telephone or car, or being confronted with payment arrears (mortgage or rent, utility bills, hire purchase instalments or other loan payments).
- 3 The work intensity of a household is the ratio of the total number of months that all working-age household members have worked in one year and the total number of months the same household members theoretically could have worked in the same period. A working-age person is defined as aged 18-59 years, with the exclusion of students in the age group between 18 and 24 years. Households composed only of children, students aged less below 25 and/or people aged 60 or over are completely excluded from the indicator calculation. Low work intensity is defined as the number of persons living in a household having a work intensity below a threshold set at 0.20.
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- 5 Speech of the Schuman Declaration made on 9 May 1950. The full speech is available at: www.cvce.eu/obj/the_schuman_declaration_paris_9_may_1950-en-9cc6ac38-32f5-4c0a-a337-9a8ae4d5740f.html
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- 8 Speech at the 4th Annual Convention of the European Platform Against Poverty and Social Exclusion, 20 November 2014. The full speech is available at: http://www.europarl.europa.eu/the-president/en/press/press_release_speeches/speeches/speeches-2014/speeches-2014-november/html/speech-for-the-4th-annual-convention-of-the-european-platform-against-poverty-and-social-exclusion
- 9 Euros, current prices. Threshold for High Income is \$12,746; http://data.worldbank.org/about/country-and-lending-groups#High_income
- 10 The Eurostat measure for at risk of poverty or social exclusion (AROE) includes people with incomes below 60 percent of the median income, or severely materially deprived or living in a household with very low work intensity. The AROPE rate is the headline indicator to monitor the EU 2020 Strategy poverty target.
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- 13 Material deprivation refers to a state of economic strain and duress, defined as the enforced inability to (rather than choosing not to) pay unexpected expenses, afford a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, being confronted with payment arrears (mortgage or rent, utility bills, hire purchase instalments or other loan payments). Severe material deprivation is the inability to afford four out of a list of nine items, available here: http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Severe_material_deprivation_rate
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- 19 When discussing poverty in Europe, this paper is referring to the AROPE indicator (see Note 10).
- 20 Eurostat data, <http://ec.europa.eu/eurostat/data/database>; no data available for Croatia in 2009.
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This paper was written by Teresa Caverio, with contributions from Deborah Hardoon, Catherine Olier, Susana Ruiz and Daria Ukhova. The author would like to thank Manon Aubry, Esmé Berkhout, Leila Bodeux, Federica Corsi, Nick Galasso, Helena MacNamara, Jörg Nowak, Helena O'Donnell, Quentin Parrinello, Javier Pereira and Nicolas Vercken for their input and support. Oxfam thanks the contributions from the European Social Platform and the European Trade Unions Confederation and acknowledges the assistance of Natalia Alonso, Jaime Atienza, Angela Corbalán and Jonathan Mazliah in its production. The author would like to thank many Oxfam colleagues who have provided valuable comments and input to this report.

For further information on the issues raised in this paper please email advocacy@oxfaminternational.org

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The information in this publication is correct at the time of going to press.

Published by Oxfam GB for Oxfam International under ISBN 978-1-78077-898-3 in September 2015. Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

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