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Stefanos Papanastasiou

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Extreme deprivation and social protection in the EU

Stefanos Papanastasiou, *Democritus University of Thrace*

Ακραία αποστέρηση και κοινωνική προστασία στην ΕΕ

Στέφανος Παπαναστασίου, *Δημοκρίτειο Πανεπιστήμιο Θράκης*

ABSTRACT

By utilizing SILC data, the paper reveals extreme deprivation trends and patterns and assesses the role of different social protection types in this field across the EU-15. It shows that the extent of extreme deprivation is high in south European countries (and especially Greece), whereas Nordic countries exhibit very low levels. The empirical findings corroborate the significance of social protection in tackling extreme deprivation through both in-cash and particularly in-kind benefits.

ΠΕΡΙΛΗΨΗ

Αξιοποιώντας δεδομένα από την SILC, το άρθρο αποκαλύπτει τάσεις και πρότυπα της ακραίας αποστέρησης και εκτιμά τον ρόλο διαφορετικών τύπων κοινωνικής προστασίας στο πεδίο αυτό μεταξύ των χωρών μελών της ΕΕ-15. Το άρθρο δείχνει ότι η έκταση της ακραίας αποστέρησης είναι μεγάλη σε χώρες της νότιας Ευρώπης (και ιδιαίτερα στην Ελλάδα), ενώ σκανδιναβικές χώρες επιδεικνύουν πολύ χαμηλά επίπεδα. Τα εμπειρικά ευρήματα επιβεβαιώνουν τη σημασία της κοινωνικής προστασίας για την αντιμετώπιση της ακραίας αποστέρησης μέσω τόσο παροχών σε χρήμα και ιδιαίτερα παροχών σε είδος.

KEY WORDS: Extreme deprivation, social protection types, social policy implications, Survey on Income and Living Conditions, European Union-15.

ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ: Ακραία αποστέρηση, τύποι κοινωνικής προστασίας, προεκτάσεις κοινωνικής πολιτικής, Έρευνα Εισοδήματος και Συνθηκών Διαβίωσης, Ευρωπαϊκή Ένωση-15.

1. Introduction

This paper offers an empirical exploration of extreme deprivation in the EU from a social protection perspective. Extreme deprivation is operationalized as the enforced incapacity to afford certain goods and services. It affects not only the so-called invisible poor (i.e. homeless people, undocumented migrants, Roma, etc.), but also quite many registered individuals and households. This extreme deprivation condition has mostly been associated with developing countries. However, the 2007-08 world economic crisis and the ensuing recession and domestic devaluation in some countries have worsened deprivation outcomes in the EU. This development has attracted scientific and political attention towards aspects of extreme poverty or deprivation that have systematically been overlooked in the past (e.g. see Bradshaw and Mayhew, 2011).

The aim of this paper is to shed light on extreme deprivation in the EU from an empirical point of view by utilizing EU-SILC data. Employing the concept of extreme deprivation offers the

analytical advantage of capturing the structural, relational, multi-dimensional and persistent nature of social disadvantages. However, a problem with the deprivation indicator is that what are considered necessities varies from country to country and changes when countries get wealthier. This makes it more difficult to be certain when comparing countries over time based on the deprivation indicator. Moreover, other weaknesses of deprivation are that lacking a deprivation item may be a lifestyle choice, so people may think they cannot afford an item when it is just a low priority, as well as that deprivation items may be present but not functioning (Bradshaw and Mayhew, 2011).

For comparative purposes, the empirical analysis includes the old EU-15 member states (Luxembourg is not counted in, however, because it is considered an outlier due to its extremely small population and high living standards). To investigate the impact of the social protection systems, which are strong determinants of the cross-country variability in poverty (Papatheodorou et al., 2008; Papatheodorou & Petmesidou, 2004; 2004), the chosen countries are grouped into four welfare regimes (i.e. Conservative-Corporatist, Liberal, Social-democratic and South-European) (Esping-Andersen, 1990; Leibfried, 1993; Ferrera, 1996; 2000; Papatheodorou and Petmesidou, 2004; 2005). So, what is the extent of extreme deprivation across different social protection systems in the EU? What is the role of social protection under circumstances of harsh austerity in some instances? Which policy interventions are most relevant for extreme deprivation alleviation (or more ambitiously eradication)? This chapter provides relevant answers with the aim to enrich the academic discourse and to inform the policymaking process on the association between extreme deprivation and social protection in the EU.

The rest of the chapter is structured as follows: in the next section, the main conceptual, theoretical and political aspects of extreme deprivation are analysed. In the following section, methodological parameters of the analysis are described and empirical estimates of extreme deprivation and social protection in the EU-14 are presented. In the last section, the empirical findings are wrapped up, main policy implications are discussed and concluding remarks are made.

2. Conceptual and theoretical background

In the EU context, the concept of deprivation expresses the inability to afford items considered by most people to be desirable or even necessary to lead an adequate life. This indicator distinguishes between individuals who cannot afford certain goods or services and those who do not have these goods or services because they do not want or do not need them. The so-called extreme deprivation indicator is defined as the enforced inability to pay for a certain number of items or services (4 or more of 9) (Eurostat, 2020a).

Multifaceted deprivation implies persistence over time and rigidity to policy measures leading to the reproduction of socioeconomic disadvantages over time and across generations (Papanastasiou & Papatheodorou, 2019). Thus, intercepting intergenerational transmission of disadvantages has been placed high on the EU policy agenda and rhetoric over recent years (Papanastasiou, 2018; Papanastasiou and Papatheodorou, 2019). This phenomenon corroborates the structural holes in the functioning of contemporary economies, in which many people get trapped for long timespans (e.g. joblessness or in-work poverty).

Conceptualizing deprivation as structural or relational leads to an understanding of it not merely as social exclusion, but mostly as the differential integration of disadvantaged individu-

als and groups into the socioeconomic and political processes of modern capitalism (Murray, 2002; Bracking, 2003; du Toit, 2004; Hickey & du Toit, 2007). Drawing from structuralist approaches, this conceptualization of deprivation brings to the forefront power relations and social stratification patterns as most relevant to understanding the causes of extreme deprivation. As power structures and the unequal income distribution among social strata are endemic to capitalism, then deprivation needs to be seen more as a structural or relational characteristic of contemporary society.

Such theoretical conceptions of deprivation come in stark contrast to more functionalist approaches emphasizing dysfunctional individual traits due to poor family endowments as the main causes of deprivation (e.g. bad health, inadequate skills, low motivation, etc.). From this perspective, the most influential theoretical approach is the one of “human capital”, which posits that poverty and deprivation are due to low productivity because of insufficient family investments in education, resulting in income losses and poverty entrapments for individuals (Mincer, 1958; Becker, 1964; Schultz, 1966; Becker & Tomes, 1979; 1986).

As already mentioned, this theory has exerted great influence and, thus, the lion’s share of the antipoverty funds has been invested in “human capital” policies. This approach is consistent with the Paretian optimality, as supposedly everyone benefits from education reforms without changes in the income distribution of a given society, and it became a main pillar of the neo-liberal agenda from 1980 onwards. This development signified the paradigm shift from social protection to social investment (Petmesidou, 2009; 2014).

Social investment is the main EU antipoverty strategy and is based on “capacitating” policies (e.g. childcare, education, training, lifelong learning, rehabilitation, etc.), so that individuals can obtain the means to insert themselves into the flexible labour market (Petmesidou, 2014; Bouget et al, 2015). The concept of social investment is based on the implicit distinction between the voluntary and involuntary poor (formerly known as the distinction between the “deserving” and “undeserving” poor) (Papanastasiou & Papatheodorou, 2017b). Thus, people at risk of poverty but capable of working and dependent on welfare are often the main target group of activation measures.

At a societal level, nonetheless, this development brings about the desocialization and depoliticization of poverty and deprivation, as many are led to believe that social disadvantages are ascribed to individual traits rather than the structural circumstances of the socioeconomic environment. The EU countries have opted for drastic cuts and restructuring in social spending by individualizing social risks and privatizing welfare functions (Papanastasiou & Papatheodorou, 2017a; 2017b). At the end of the day, recommodifying the status of the individuals vis-à-vis the market is the main objective of the activation and workfare strategies implemented throughout the EU, albeit to differing extents among member states.

3. Methodological parameters and empirical findings

Extrême deprivation means that a household is lacking at least 4 of the 9 items (in Eurostat’s language), which are considered necessary to have an adequate life. These items are the following: to pay rent, mortgage or utility bills, to keep a home adequately warm, to be able to face unexpected financial expenses, to eat meat or proteins regularly (or vegetarian equivalent), to go on holiday once a year, to own a television set, to own a washing machine, to own a car and to

own a telephone. The empirical analysis utilizes EU-SILC data referring for the most part to the 2005-2018 period.

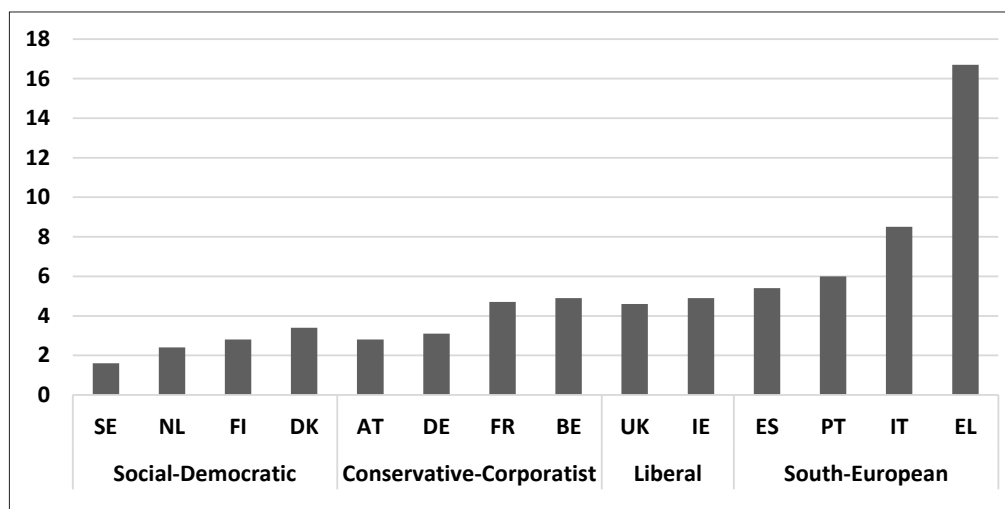
The European Union Statistics on Income and Living Conditions (EU-SILC) aims at collecting timely and comparable cross-sectional and longitudinal multidimensional microdata on income, poverty, deprivation, social exclusion and living conditions. The EU-SILC project was launched in 2003 based on a «gentlemen's agreement» in six member states (Belgium, Denmark, Greece, Ireland, Luxembourg and Austria) and Norway. The EU-SILC legal basis entered into force in 2004 and covers now all EU countries, Iceland, Norway, Switzerland; some other countries participated on a voluntary basis (Eurostat, 2020b).

The countries under study are the EU-14 (Luxembourg is left out as an outlier), which are grouped into four welfare regimes following Esping-Andersen's (1990) typology and the relevant academic discussion on the south European welfare model (Leibfried, 1993; Ferrera, 1996; 2000; Papatheodorou & Petmesidou, 2004; 2005). The grouping is as follows:

- Conservative-Corporatist: Germany, France, Austria, Belgium,
- Liberal: Great Britain, Ireland,
- Social-democratic: Denmark, Sweden, Finland, Netherlands,
- South-European: Italy, Spain, Greece, Portugal.

Based on the information presented above, the extreme deprivation rates in 2008 are illustrated in Figure 1. By and large, EU countries with similar and longstanding welfare states exhibit quite similar extreme deprivation rates. The countries of the social-democratic welfare state exhibit very low extreme deprivation contrary to south European countries (and especially Greece in which the extent of extreme deprivation is quite alarming and deserves special attention), whereas the countries of the conservative-corporatist and the liberal welfare state stand in between.

Figure 1: Extreme deprivation (% of the population), EU-14, 2018

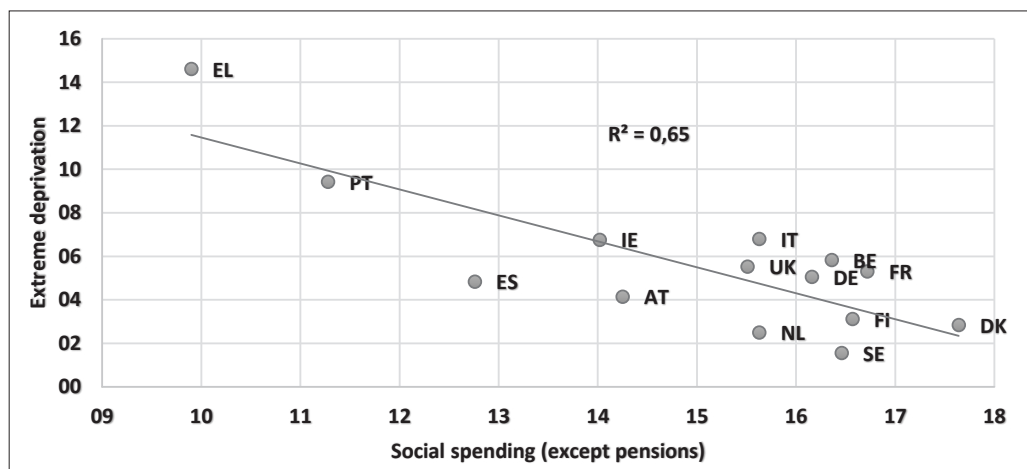


Source: EU-SILC

A simple and straightforward way to operationalize social protection is through social spending, that is, the various in-cash and in-kind provisions in the areas of pensions, healthcare, family/children, sickness, disability, unemployment, housing, etc. Social spending can further be merged into two categories: a) old age and survivor pensions and b) other social transfers (i.e. family, unemployment, health, housing, care, etc. provisions in cash and in kind). Preliminary analyses showed that pensions have much lesser explanatory capacity over extreme deprivation in the EU-14 compared to other social transfers. Thus, the remaining analysis includes social spending except for old age and survivor pensions.

Based on this methodological choice, Figure 2 shows that other social transfers (except pensions) alone explain almost 65% of the variability of extreme deprivation across the EU-14. This finding indicates that social protection, and especially other social transfers, are consistent predictors of the variation in deprivation outcomes in the EU-14. So, the goal of extreme deprivation alleviation can largely be attained through social benefits in cash and in kind, which have a wide redistributive dynamic if based particularly upon universality as shown by previous studies (Papatheodorou and Petmesidou, 2004; 2005).

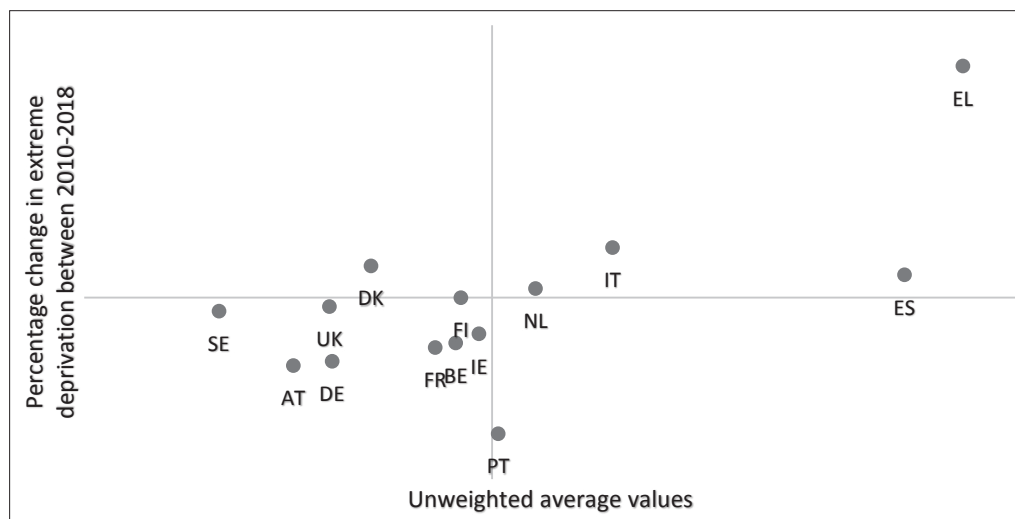
Figure 2: Social spending (except pensions) and extreme deprivation, EU-14, (2005-2017 average values)



Source: EU-SILC

A critical matter is the effect of the Great Recession (and of austerity measures) on extreme deprivation outcomes in the EU. Such information can be obtained by showing the relative stance of the chosen countries in terms of extreme deprivation rates between 2010 and 2018. Figure 3 reveals that Greece has sustained the biggest blow in terms of living standards. The main reasons for Greece's position relate to both domestic (e.g. huge gaps and inequalities in social protection) and external (e.g. enforced austerity) factors as shown by Papanastasiou and Papatheodorou (2017). In contrast, no other EU-14 country has shown such worsening of living standards since the outbreak of the economic crisis. Notably, Sweden has kept extreme deprivation to really low levels. The countries of the Conservative-Corporatist regime lie close to the EU-14 average amounting to 6.125 (the crossing point of the vertical axis).

Figure 3: Relative stance of EU-14 countries in extreme deprivation (2010-2018)



Source: EU-SILC

4. Policy implications and concluding remarks

The abovementioned empirical findings clearly reveal some patterns in extreme deprivation outcomes across the EU-14. The EU countries belonging to the social-democratic welfare regime exhibit very low extreme deprivation. This can be attributed to the still generous and universal character of social protection in those countries. By emphasising in granting a great deal of benefits in-kind, the Nordic countries manage to minimise deprivation items, living the households with adequate resources to deal with other sorts of economic difficulties. Furthermore, the EU countries representing the conservative-corporatist and the liberal regime occupy in-between positions in terms of extreme deprivation outcomes.

In contrast, the worst performance in respect of extreme deprivation outcomes is displayed by the south European countries. Among the former countries, Greece sticks out as the one with by far the worst extreme deprivation outcomes in the EU-14. As Papanastasiou and Papatheodorou (2017a) have shown, the dramatic worsening of living standards in Greece is part and parcel of the Great Recession which since 2008 manifested itself on a world scale. Yet, the authors argue that it is not the recession itself, but the austerity policies imposed by the foreign lenders (EC, ECB, IMF) bringing about the most devastating socioeconomic implications.

Greece serves as an illustrative case of recent developments in social protection design and provision. Introducing the former Social Solidarity Income (SSI) as a form of minimum guaranteed income under Memorandum 3, while phasing down or cutting back on other social transfers, foreign and domestic policymakers transform the Greek social protection system into a liberal one. Thus, the goal of social policy is being shifted from promoting overall welfare to dealing merely with extreme deprivation through the SSI (Papatheodorou, 2017; 2018).

At the end of the day, these social protection developments are indicative of the EU policymakers' drives and priorities leading to individualized social risks and privatized welfare functions. This is attained by emphasizing the need to combat extreme deprivation through targeted and means-tested social provisions, while systematically neglecting (or even abandoning) the goal of promoting overall welfare by strengthening the regulatory and redistributive mechanisms EU-wide.

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Biographical Note

Stefanos Papanastasiou is research associate in the Department of Social Policy of Democritus University of Thrace. He holds a PhD and an MSc in applied social policy analysis. He is experienced in microdata analysis (i.e. SILC, LFS, HBS) as well as in metadata management (i.e. CMM, DD13), e-mail: stef.pap@icloud.com.