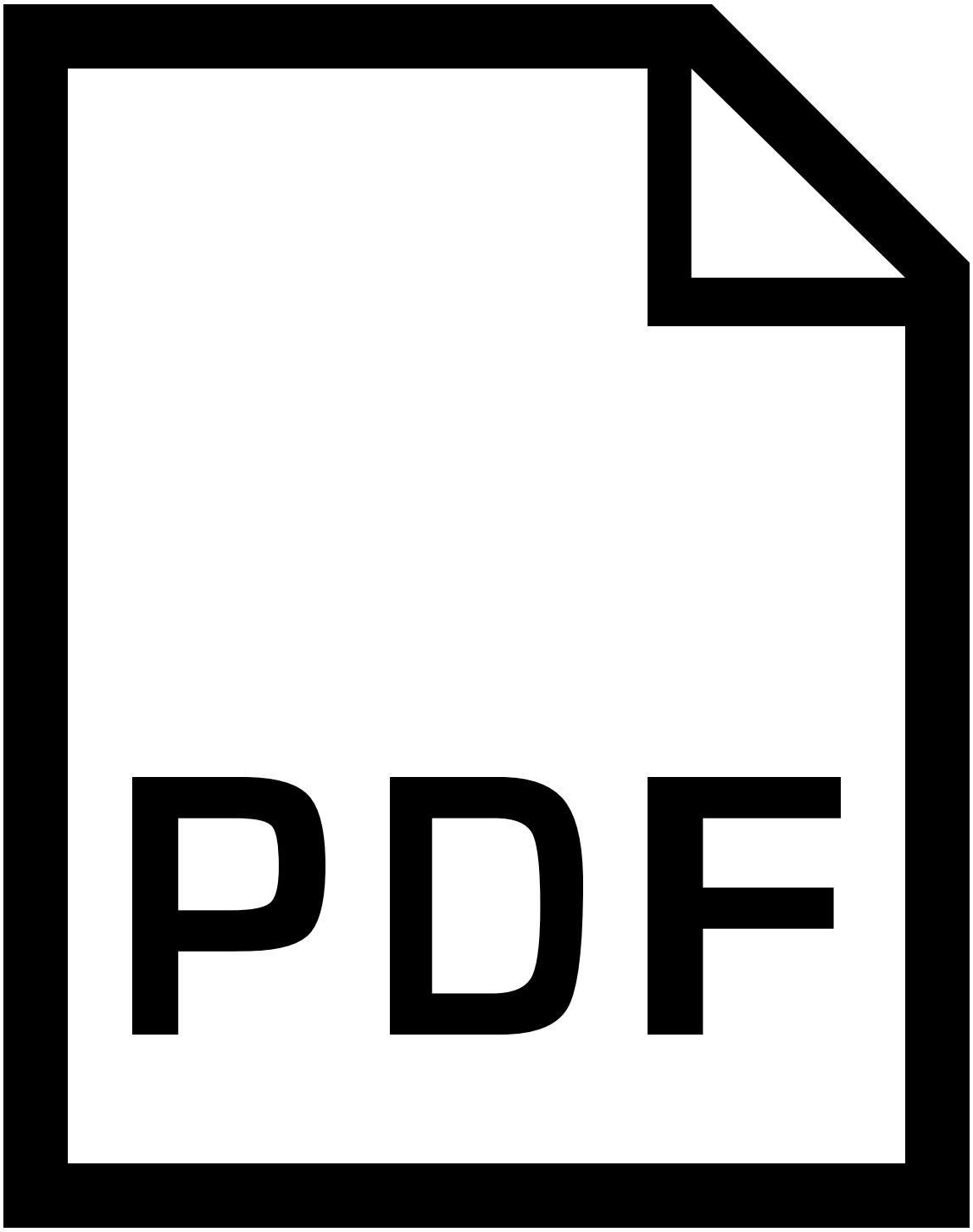
News Item, 04/07/2014, Brussels / Gütersloh: Social divides threaten Europe's future viability

Signs of economic consolidation – but gap between rich and poor states growing / Scandinavian states top the overall index / Germany and Switzerland showing largest gains in recent years / Participation opportunities in southern Europe on the decline



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Ansprechpartner

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Europe is making some progress in economic consolidation, but social divides are growing. While several European economies are slowly recovering from the effects of the economic and financial crises, social conditions in Europe's southern and eastern crisis-stricken states have worsened. Social protection systems, such as health care in Greece, have been hard hit, and youth unemployment rates are climbing to record levels in many states. The gap between participation opportunities in the affluent countries of northern Europe and the southern crisis states has increased significantly. This is the conclusion of a comprehensive study conducted by the Bertelsmann Stiftung, a German think tank which assesses all European Union and OECD countries on the basis of 140 governance and reform indicators. "This social divide threatens the future viability of the European Union," said Aart De Geus, CEO of the Bertelsmann Stiftung.

Every two years, more than 100 experts worldwide work with the Bertelsmann Stiftung to look closely at the EU and OECD states: How significant are economic, social and environmental reform needs in each country? How robust is the rule of law and what is the state of democracy? And how reform-capable and effective are the government, legislature and civil society? The results are compiled in the Sustainable Governance Indicators (SGI) study. Its country reports not only evaluate develop-ments in recent years, but also compare how well the 41 countries examined are prepared for the chal-lenges of the future.

At the top of the overall index are Sweden, Norway, Switzerland, Finland, Denmark and Germany. Although labor markets in the affluent northern European states have felt the impact of the economic crisis, their overall performance in international

comparison is good. Especially in the areas of social and family policy, the northern European states score well on the basis of forward-looking policies, in part through a strong ability to combine family and career. In pension and budget policies too, these countries are pursuing a sustainable course. Their post-crisis economic and employment recovery appears to be well underway as several indicators show an upward trend.

More surprising than the traditionally good performance of the Scandinavian countries is the fact that Germany has succeeded in joining the top group. Along with Switzerland, Germany is among the most significant gainers of the past years. In the areas of economic and employment policy in particular, the country has shown the greatest improvements, surpassing for the first time the traditionally model northern European states that have struggled in recent years. Once deemed the "Sick Man of Europe," Germany now ranks number one in the EU in the labor market area, a result in part of the structural reforms undertaken in the past decade. Thanks to buoyant tax revenues, growing export levels and declining interest rates, the prospects of a balanced budget in Germany have improved considerably, although a total gross debt exceeding 80% of economic output is still too high.

Many of the EU and OECD countries show at least a slight trend toward economic consolidation, and are making efforts to address long-deferred structural reforms. However, the sometimes-drastic dete-rioration in employment rates and social inclusion has not yet ceased. This is true particularly for the crisis-stricken countries of southern Europe, all of which fall into the lower ranks of the cross-national comparison. In Greece, Italy, Portugal and Spain, youth unemployment is continually reaching new records, in some cases exceeding 50%. "Given the lack of prospects, one must speak of a lost gen-eration in these countries. Structural reforms in the crisis countries are still needed, but the key chal-lenge is now to combine fiscal policy programs with public investments in infrastructure and human capital. This will create opportunities for younger generations and will catalyse economic growth in general," De Geus said.

Long-term unemployment and child poverty are also rising: In Spain and Greece, more than one-fifth of children live in poverty. Cuts made in the process of budgetary consolidation have had a strong impact on social protection systems, and in Greece have also had negative effects on the provision of health care. Since 2009, the poverty rate in the European Union has risen from 9.4% to 9.9%, driv-en primarily by the developments in southern Europe, and to a lesser extent by increasing social ex-clusion in countries such as Hungary, Slovakia and Romania.

In the countries of Central and Eastern Europe (CEE), however, the picture is more heterogeneous than among the southern European states. Romania and Bulgaria have always numbered among the EU's poorest states. In Romania, more than 30% of the population lives on less than €4 per day. In addition, the social exclusion of certain minorities, particularly the Roma, represents a problem in these countries. Hungary (rank 37 in the overall index) has deteriorated significantly in almost every policy area, while Poland’s overall success with economic and socio-political developments in recent years could serve as a model for the other CEE countries. The good performance of the Baltic states is also noteworthy. Estonia (rank 7 in the overall index) stands out in terms of sustainable governance thanks to low debt levels, strong family policies, and the study's top scores in the areas of education and the environment.

Looking beyond the EU to the other OECD countries, the very poor performance of the United States is particularly striking. The world's largest economy ranks at just 28th place among all OECD and EU countries, and demonstrates massive weaknesses particularly in the areas of social inclusion, fiscal sustainability and the environment. New Zealand – once a member of the top group – has in the wake of the crisis suffered massive losses in the areas of employment and social policy, landing only at rank 12. Poverty levels are particularly high in Israel, which performs worse than the crisis-stricken southern European states of the EU in this regard.

About the SGI project:
The SGI 2014 is a cross-national survey of all 41 OECD and EU countries that analyses each country's future viability based on 140 quantitative and qualitative indicators (www.sgi-network.org). Every second to third year, more than 100 renowned experts from around the globe contribute to the large-scale study. The 41 country reports shed light on each country's strengths and weaknesses. The cross-national comparison thus not only indicates the respective need for reform but also each country's capacity to address the most pressing challenges that OECD and EU countries are facing today: demographic change, growing social inequalities, dwindling resources and the need for long-term-oriented structural reforms of labour markets and social security systems.

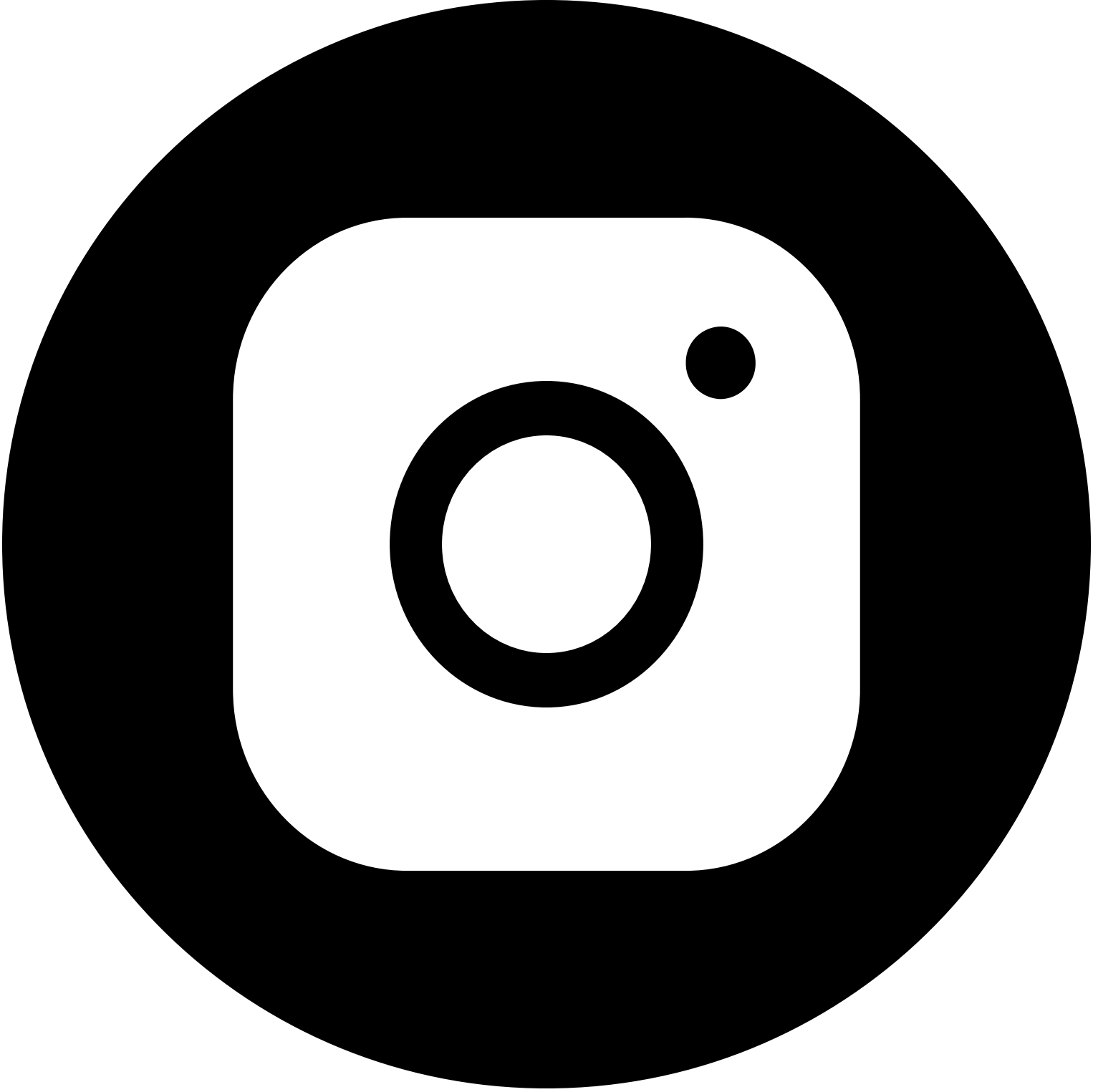
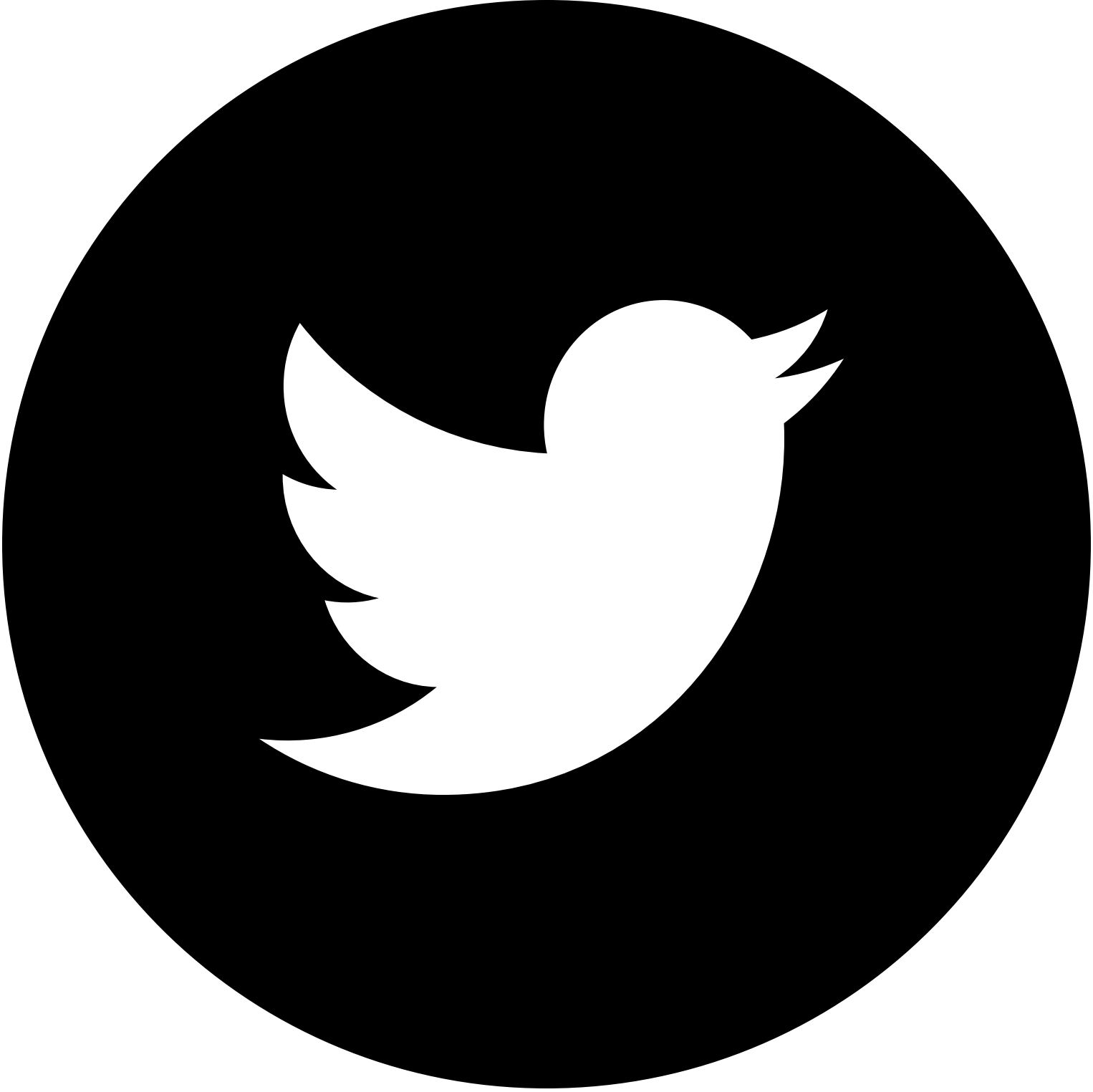
About Bertelsmann Stiftung:
The German foundation Bertelsmann Stiftung is dedicated to serving the common good. It focuses on the fields of education, economy and society, health and international understanding and pro-motes the peaceful coexistence of cultures. With its commitment to society, the foundation encour-ages all citizens to follow its lead and make their own contributions to the common good. Founded by Reinhard Mohn in 1977, Bertelsmann Stiftung is the majority shareholder in Bertelsmann

SE & Co. KGaA. It functions exclusively as an operating foundation, remaining independent of the company and politically neutral.

Downloads

- SGI 2014 - Chart Policy Performance Index (274 KB)
- SGI 2014 - Chart Democracy Index (365 KB)
- SGI 2014 - Chart Governance Index (277 KB)

Links

- www.sgi-network.org
- www.sgi-network.org

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