

**INCLUSIVE  
GROWTH**

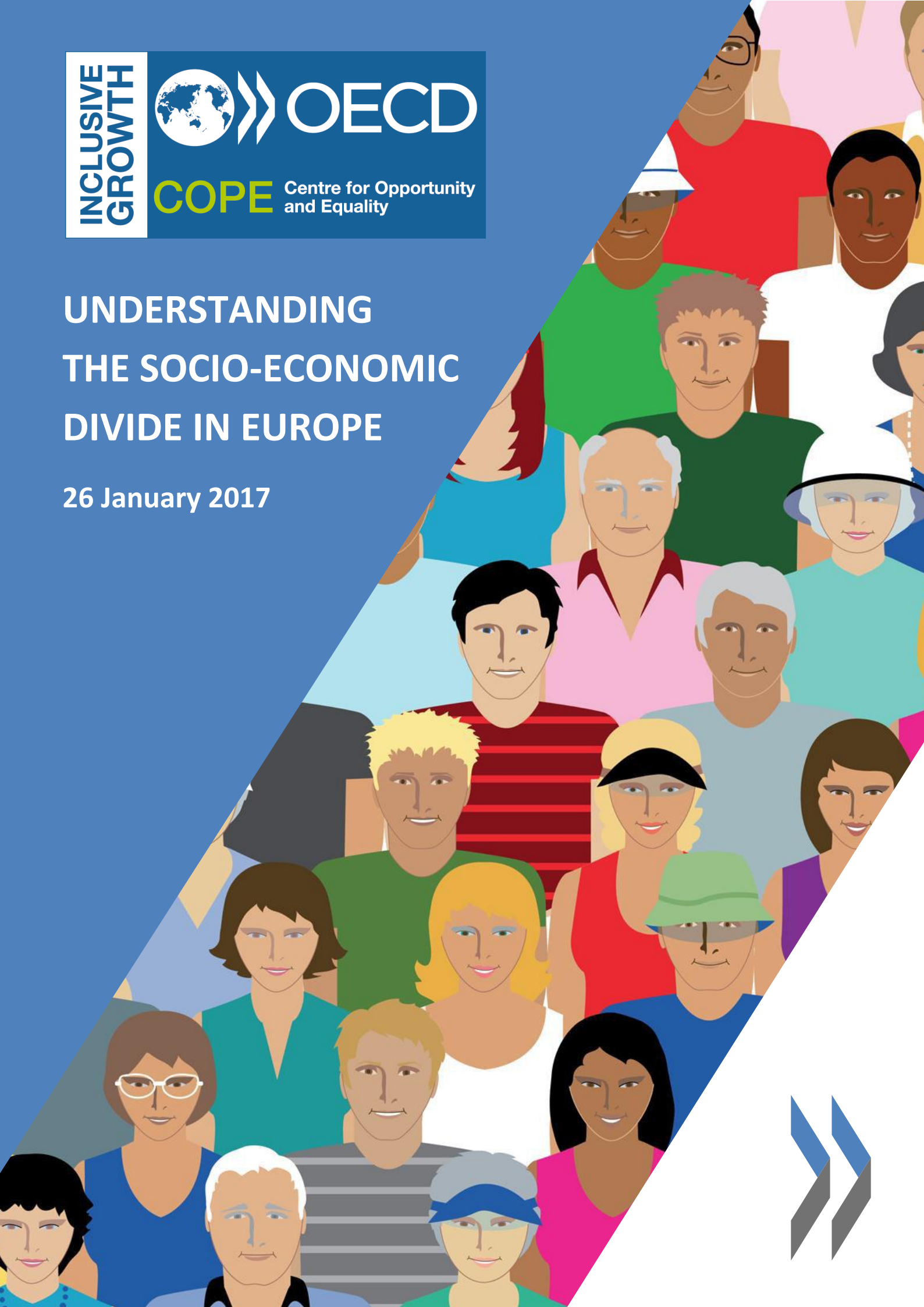


**OECD**

**COPE** Centre for Opportunity  
and Equality

# UNDERSTANDING THE SOCIO-ECONOMIC DIVIDE IN EUROPE

26 January 2017



# **UNDERSTANDING THE SOCIO-ECONOMIC DIVIDE IN EUROPE**

**BACKGROUND REPORT**

**26 JANUARY 2017**

## ACKNOWLEDGEMENTS

This background report is supported by a grant from the Open Society Foundations.

This report has been prepared under the umbrella of the OECD Centre for Opportunity and Equality ([COPE](#)). It has been prepared and coordinated by the Social Policy Division (Michael Förster, Ana Llena Nozal and Céline Thévenot). The report is based on inputs from the International Migration Division (Thomas Liebig and Cécile Thoreau), the Health Division (Chris James and Gaetan Lafortune) and the Employment Division (Paolo Falco, Pascal Marianna). Technical assistance was provided by Nathalie Bienvenu, and statistical assistance was provided by Maxime Ladaïque, both from the Social Policy Division. Authors are grateful to Stefano Scarpetta, (Director for Employment, Labour and Social Affairs ELS), Mark Pearson (Deputy Director, ELS,) and Shruti Singh (Manager, COPE) for their comments.

This document is available online via <http://oe.cd/cope-divide-europe-2017>.

The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries or the European Union.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Throughout this document, the OECD, OED-EU and EU averages refer to the unweighted average for the relevant countries for which data are available.

(↘) (or ↗) in the legends relate to the variable for which countries are ranked from left to right in decreasing (or increasing) order.

Statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

# The Socio-economic Divide in Europe

## Table of contents

1. Introduction .....	5
2. The socio-economic divide: income and wealth inequality.....	7
Income inequality remains at an all-time high .....	7
Despite weak recovery, incomes did not reach pre-crisis levels and inequality did not fall.....	9
Wealth is much more concentrated than income.....	10
The flipside of wealth: over-indebtedness .....	11
3. The role of jobs and labour market changes in the socio-economic divide .....	12
The jobs gap is closing.....	12
Access to productive and rewarding jobs remains difficult.....	13
The gender gap in the labour market has narrowed but remains high.....	15
The economic recovery has been too weak in many countries to bring youth unemployment back to the pre-crisis level .....	16
4. The social divide in education and human capital development .....	17
Social divide in school performance .....	17
Unequal access to lifelong learning: the low-skills trap .....	18
5. Socio-economic divides in health in Europe .....	19
Gaps in life expectancy remain persistent.....	19
Disparities in health status: the disadvantaged are most at risk.....	19
6. Immigrant integration.....	22
Migrants face challenges in terms of education and employment .....	22
The social divide between young people with and without a migrant background .....	25
References .....	27

## 1. Introduction

The socio-economic divide has been on the rise in Europe over the past decades, and has intensified since the onset of the global financial crisis. High and rising inequality harms our societies in many respects, not least in terms of economic growth. It can hamper social cohesion, results in lost opportunities for many, and can even result in worse health outcomes.

Inequality can also lower social trust in institutions and fuel political and social instability, in a number of ways. First, the higher the level of economic inequality, the higher will be the “social barriers” between groups and the less individuals will feel familiar with and connect to other people. Second, inequality may generate a perception of injustice: it is difficult to develop trust in others if they are seen as having unfair advantages. Finally, unequal communities may disagree over how to share (and finance) public goods, and those disagreement can turn break social ties and lessen social cohesion. Broken trust can lead to intolerance and discrimination and there is growing concern across European countries and more globally over the association with political instability.

The socio-economic divide can also grow over time by itself, just by transmitting advantages and disadvantages from one generation to the next. Many Europeans are increasingly pessimistic – in some cases more than Americans for example – about their children’s chances to do better than them in life than they have. More people believe today that individual effort cannot really help get one to the top, or that hard work cannot completely compensate for a poor family background. Rising perceptions that merit and effort have become somewhat less important and that parental background plays the major role for future opportunities and outcomes, may increase preferences for more redistribution; they may also lead to calls for increased protectionism and fuel populism in countries.

The socio-economic divide is not only about juxtaposing “the rich” and “the poor” in terms of wages or incomes. The phenomenon is a complex web indeed involving accumulated wealth or debts, but it also has to do with health status, which is also driven by the quality of jobs, education, and migration background. This report establishes the state of play of this divide in European countries. It sheds light on its various facets with a special focus on quantifying them and explaining their drivers. It looks at the divide in terms of income and wealth; the labour market; education and skills; health; and migration. The European Union is covered to the extent possible, with OECD-European countries as a second best option when comparable data are not available. Non-EU countries (such as Norway) and non-European countries (such as the United States or Japan) are covered for contextual purposes.

## Key messages

- **Income inequality** remains at an all-time high. In the 1980s, the average income of the richest 10% was seven times higher than that of the poorest 10%; today, it is around 9 ½ times higher. The economic recovery has not reversed the long-term trend towards increasing income inequality.
- **Unequal distribution of wealth** surpasses that of income. The 10 % of wealthiest households hold 50% of total wealth; the 40 % least wealthy own little over 3 %.
- **High levels of debt** expose households to sizeable risks in the event of sudden changes in asset prices. In the OECD area, half of households have debts, and one tenth is over-indebted.
- The post-crisis **job gaps are closing** on average in Europe, but there are still 1.4 million fewer jobs in the EU in 2015 compared with 2007.
- Major inequalities remain across countries in terms of overall employment, with unemployment rates reaching 24% in Greece versus 4% in Iceland. Inequalities in terms of the type of job such the share of part-time or temporary employment are also large in Europe.
- **Gender gaps** in employment and earnings have declined in most countries in the EU, but at 9.8% and 12.8% respectively they persist – and women are still disadvantaged in terms of the type of jobs and occupation they hold.
- **Low-skilled youth** who are disconnected from both employment and learning represent 17% of 15-29 year-olds in the EU, and risk being permanently left behind in the labour market.
- There is a **gap in education outcomes** among individuals with different parental socio-economic backgrounds. A child from an advantaged socio-economic background will score on average 20% higher in mathematics than a child from a disadvantaged background.
- There are close links between socio-economic backgrounds and **education and health outcomes**. Men with lower levels of education have 2.7 years less life expectancy than the better educated, and women, 1.2 years.
- **Immigrants** tend to have lower outcomes in terms of labour market or incomes than the native-born in most areas; 36% are low educated, against 25% of native-born; 64.8% are in employment, as opposed to 66.3% of the native born. Those in employment are twice as likely as their native-born peers to live below the poverty line.
- Native-born **children of immigrants** raised and educated in the host country are facing persistent disadvantages compared with children with native-born parents. In the EU, the youth unemployment rate among native-born immigrant offspring is almost 50% higher than among the young with native-born parents. In non-EU OECD countries, the rates of the two groups are similar.

## 2. The socio-economic divide: income and wealth inequality

Income and wealth are the first – and perhaps the most salient – aspects of the socio-economic divide in Europe. The “Great Divide” pertains not only to growing gaps between the bottom and the top of the income distribution within European countries but also to diverging trends between countries. The range of inequality levels prevailing in Europe is so wide that it is difficult to consider a “single European model”, and that also holds for trends. For a number of reasons – in particular relating to changes in the labour market and in redistribution – income inequality has increased in most European countries during the past three decades. Moreover, the profile of individuals at the bottom of the income distribution has also changed: The most vulnerable are no longer the elderly, but rather young people and families with children. The deep economic crisis and the often mild recovery in many European countries have been associated with stabilisation if not further increase in income inequality. In all European countries, tax and transfer policies are contributing significantly to reducing market income inequality, but some welfare systems manage that redistribution better than others.

### **Income inequality remains at an all-time high**

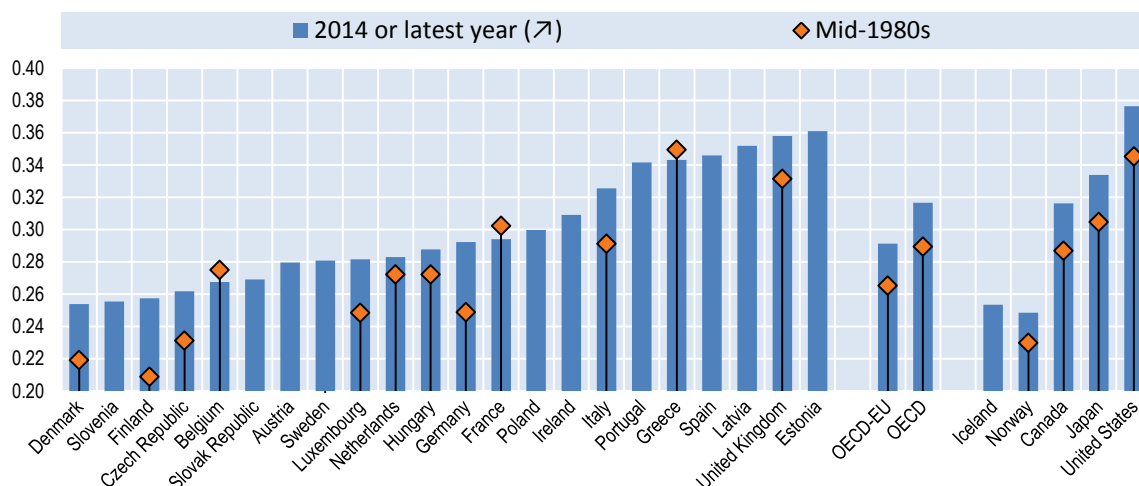
Income inequality has been growing in most wealthy countries in recent decades, raising questions about the stability and sustainability of our social and economic systems. In the 1980s, the average disposable income of the richest 10% was around seven times higher than that of the poorest 10%; today, it is around 9 ½ times higher. Concerns are increasing over what happens when the gap between the rich and the poor widens significantly and economic growth delivers benefits predominantly to those well-off. A widening divide threatens not only the social but also the political stability of our societies.

According to the latest data available, the Gini coefficient – a common measure of income inequality that ranges from 0 when everyone has identical incomes to 1 when all the income goes to only one person – stands at an average of 0.30 across OECD-EU countries, slightly below the OECD average (0.31).

The Nordic countries are among the most equal European countries, but Central Eastern European countries (Slovenia, the Czech and Slovak Republics) also have lower levels of income inequality (Figure 2.1). Western European countries, such as France, Germany and the Netherlands, are close to the European average, while the level of income inequality is above average in all southern European countries. The highest levels of income inequality in Europe are reached in the United Kingdom and the Baltic States. Inequality in Europe is generally lower than in many non-European countries, in particular the United States and Israel.

**Figure 2.1. A vast range of income inequality levels across European countries**

Gini coefficient of disposable income inequality in 2014 (or latest year) and mid-1980s when available, total population



Source: OECD Income Distribution Database (<http://oe.cd/idd>).

Income inequality was generally lower one generation ago. In European countries, the Gini coefficient increased on average from 0.28 in the 1980s to 0.30 in 2014. Inequality increased not only in countries with highly unequal incomes – such as the United States and the United Kingdom – but also in traditionally more egalitarian countries, such as Sweden and Finland. In most European countries the increases occurred later than in the United States or the United Kingdom, namely during the 1990s. That said, inequality remained stable or even fell in some countries; for example Belgium, France, Greece (until the crisis) and the Netherlands.

Another noticeable shift that has occurred during the past thirty years pertains to the age profile of poverty, with young people replacing the elderly as the group most at risk of poverty (OECD, 2015a, OECD, 2016a).

It is not easy to untangle the complex web of factors behind the growing gap between the rich and the poor. Changes in earnings and in labour market conditions have been the most important *direct* driver of rising income inequality (OECD, 2011). This mainly has to do with changes in the distribution of gross wages and salaries, which have become more dispersed in most OECD countries. People with skills in high-demand sectors such as IT or finance have seen their earnings rise significantly, especially at the very top end of the scale. Meanwhile, at the other end, wages of workers with low skills have not kept up. But rising inequality is also linked to the changes in employment patterns, working conditions and labour market structures that have led to increased job polarisation (see section 3). The 1990s and 2000s have also seen reforms in tax and benefits systems that have tended to redistribute less during this period up to the crisis (OECD, 2011, 2014).

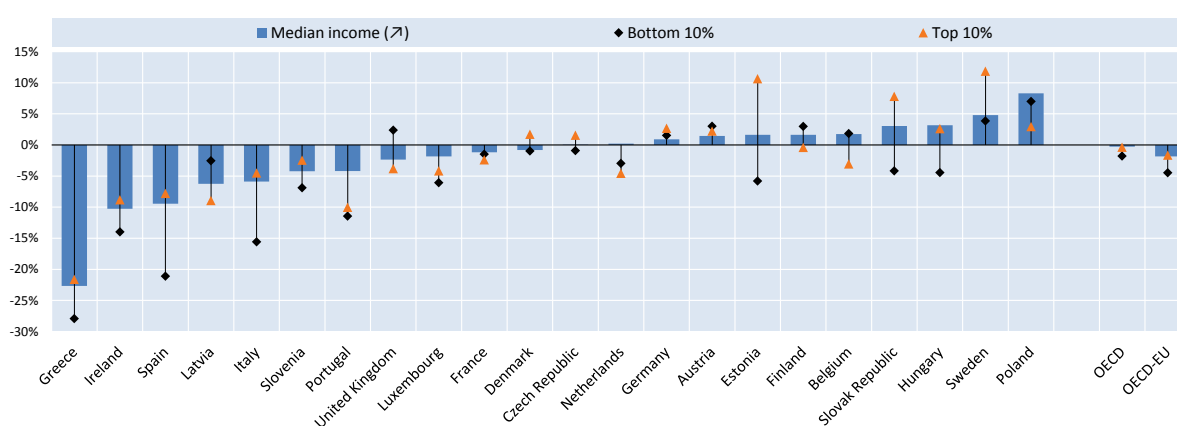


## Despite weak recovery, incomes did not reach pre-crisis levels and inequality did not fall

In 2008, the economic crisis hit many OECD countries, notably the European area. Unemployment peaked above 8% in 2010 in the OECD area and reached 11% during 2013 in Europe. The recent economic recovery has improved real average incomes, but more rapid growth of top incomes and weaker improvement at the bottom meant that overall income inequality did not reduce. In the southern European countries, ever since 2007 real incomes at the bottom 10% have been falling fell between 12% and 28% annually and more severely hit than those in the middle and at the top of the distribution (Figure 2.2; OECD, 2016b).

**Figure 2.2. Household disposable incomes have not yet recovered from the crisis**

Real disposable income growth between 2007 and 2014 (or latest year) by income group, total population



Source: OECD Income Distribution Database (<http://oe.cd/idd>).

In the earlier phase of the crisis, taxes and cash transfers largely off-set the increase in market income inequality (i.e. in gross wages, earnings and capital incomes). Since 2010/11, redistribution has weakened or stagnated in most European countries. This may be due to a softening of automatic stabilisers as the economy recovers in some countries (e.g. in Estonia or Latvia) or the phasing out of fiscal stimulus measures implemented in the early years of the crisis. But weaker redistribution may also reflect the introduction of fiscal consolidation measures. For instance, redistribution decreased in Hungary, where guaranteed minimum incomes and unemployment benefits were tightened and in Ireland, where direct taxation was reformed and several working-age social benefits were lowered.

Redistribution nevertheless strengthened in some countries and contributed to holding back if not reversing the increase in income inequality. Examples are Iceland, partly due to tax reforms in 2010, and France, following an increase of the top income tax rate and revalorisation of social assistance benefits. Redistribution also increased in some of those European countries hardest hit by the crisis, and in spite of implementation of fiscal consolidation, because of the sharp rise in unemployment. This was for example the case for Spain, Greece or Portugal (see OECD, 2016b).

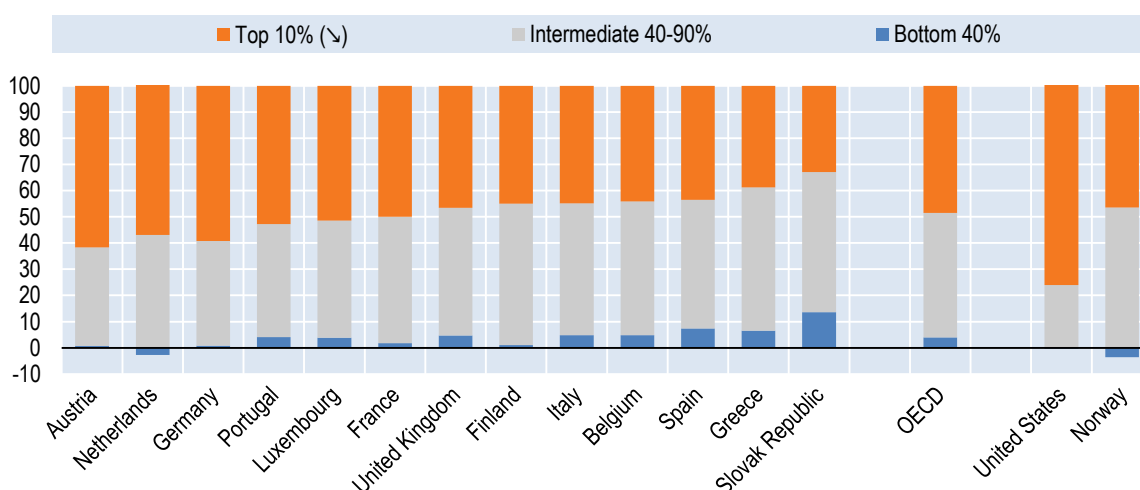
## Wealth is much more concentrated than income

Understanding people’s incomes, especially after taxes and benefits, gives a strong sense of whether or not they can meet their bills and are able to make long-term investments in education, housing and so on. Yet there is no doubt that wealth also matters – both in shaping people’s individual circumstances by generating capital income, and as a wider socio-economic force. Accumulated wealth generates capital income, which, in turn, can deepen income inequalities.

On average, the 10 % wealthiest households hold half of total wealth in the OECD countries; the next richest 50% hold almost the entire other half, while the 40 % least wealthy own little over 3 % (Figure 2.3). Wealth is most concentrated at the top of the distribution in Austria, Netherlands and Germany.

**Figure 2.3. Winner takes all: a minority of people own a disproportionate amount of wealth in many countries**

Wealth shares of top, middle and bottom of the net wealth distribution, 2010 or latest year



Source: Calculations from *OECD Wealth Distribution Database*.

Because wealth is accumulated over time, it is unsurprisingly spread out much more unequally than income. In all European countries, wealth distribution is much more concentrated at the top than is income distribution. On average in the OECD area, the top decile of household disposable income distribution accounts for about 25 % of total household income, while the top decile accounts for about 50 % of the distribution of household wealth. Countries with lower or average levels of income inequality are not necessarily countries with lower concentrations of wealth. Germany, Austria and the Netherlands for example have the highest concentration of wealth at the top (apart from the United States). By contrast, while the United Kingdom is one of the most unequal countries in terms of income distribution, the level of wealth inequality is around average.

Tax data available for ten countries indicate that, like income, private wealth has tended to become more unequally distributed in recent decades: the trend is often linked to increases in stock and housing prices relative to consumer prices. Comparable survey data from a handful of countries indicate that since the crisis inequality at the top of the wealth distribution (the United States, the United Kingdom, the Netherlands and Italy) and also at the bottom of the distribution (Australia, Canada, Italy, the Netherlands and the United States) have further increased.

### **The flipside of wealth: over-indebtedness**

High levels of indebtedness and/or low asset holdings affect the ability of the lower-middle class to undertake investments in human capital.

In some countries (e.g. the Netherlands, Finland and Luxembourg), a large share of households have high levels of debt, which expose them to sizeable risks in the event of sudden changes in asset prices. That has implications for the economic system as a whole in terms of vulnerability. The magnitude of household liabilities (as a share of total assets) varies a great deal across countries, ranging from 4 % in Italy and the Slovak Republic, to over 30 % in the Netherlands (OECD, 2015a).

The higher level of debt is often related to rising housing prices in the period preceding the crisis, which led more households to take on higher mortgages to become homeowners. Most household liabilities (two-thirds) are mortgages on the purchase of a principal residence: for example, close to 80 % of household liabilities are principal residence loans in Belgium, the Netherlands, the Slovak Republic and the United Kingdom. In some countries, however, loans on other residential property and other types of loans represent a substantial fraction of total liabilities.

While the incidence of debt increases with a household's income, over-indebtedness is highest among middle-income groups and among households headed by young people. Whether household debt is more widespread among less or more highly educated people depends on the country. In the Netherlands and Finland, two countries with high levels of debt and over-indebtedness, households with tertiary education are the most (over-) indebted. In Spain, Portugal and Luxembourg, less-educated people are more likely to be over-indebted.

### 3. The role of jobs and labour market changes in the socio-economic divide

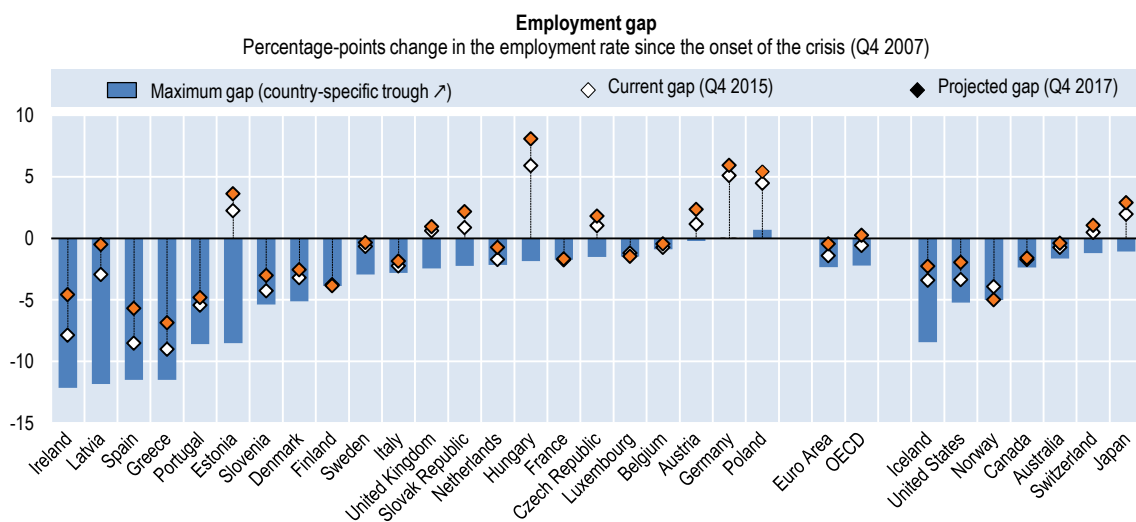
Work is the best safeguard against exclusion. However, labour markets are not always equally accessible. High and especially persistent unemployment is a serious threat to social cohesion and can inflict long-standing damages on individuals' lives. Moreover, too many jobs do not provide access to new skills opportunities or chances to move up the career ladder. Making labour markets more inclusive also requires helping more vulnerable groups – in particular low-skilled and inexperienced youth – into rewarding and quality jobs.

#### The jobs gap is closing

Labour markets are recovering from the crisis, but only slowly in Europe. Despite the uneven nature of the economic recovery, the jobs deficit had fallen to 1.4 million in the EU area by the end of 2015. The OECD Employment Outlook 2016 showed that the jobs gap closed further during the second half of 2016 in the EU. Employment reversed by then to its level in late 2007 at 58.3% of the population (aged 15-74 years) in the EU area.

Within Europe, there are marked differences among countries. Employment rates are now over 5% above their end-2007 levels in Germany and Hungary (Figure 3.1). At the other extreme, around two-thirds of European countries have yet to regain their pre-crisis employment rates and the jobs gap remains large, notably in Greece, Ireland and Spain (at 9, 7.9 and 8.5 percentage points respectively). However, these hard-hit countries are currently achieving some of the most rapid rates of employment growth among OECD countries.

**Figure 3.1. The jobs recovery continues, but remains incomplete**



- a) Annual values calculated using employment data from the *OECD Economic Outlook Database* and UN population projections.
- b) Aggregate of 15 OECD countries of the euro area.

Source: OECD calculations based on *OECD Economic Outlook Database*; and United Nations, *World Population Prospects: The 2015 Revision*.

Unemployment is continuing to fall in most countries but a great divide remains. In late 2015, unemployment in Europe was still 2.1 percentage points higher than it was in the last quarter of 2007, at 9.1%, and expected to remain 1.4 percentage points above the 2007 level by the end of 2017. This represents 21 million persons in the EU area, which is respectively 5.3 million more unemployed than in the fourth quarter of 2007. National unemployment rates continue to vary widely – ranging from around 4% in Iceland, the Czech Republic, Germany, Norway and Switzerland to double-digit figures in countries such as Spain (21%) and Greece (24%), but also France (10%), Italy (11%), Portugal (12%) and the Slovak Republic (11%).

### **Back in work but still out of pocket**

Real wages fell sharply in hard-hit countries such as Greece, Ireland, Portugal, Spain and the Baltic States; they stagnated or barely grew almost everywhere else. Comparing real wage growth between 2000-07 with 2008-15 suggests a sharp deceleration in a number of countries, including the Czech Republic, Estonia, Latvia, and the United Kingdom. By 2015, real hourly wages in these countries were more than 25% below where they would have been if wage growth had continued at the rate observed during 2000-07. This gap exceeded 20% in Greece, Hungary, and Ireland. There are a few exceptions, most notably Germany, where wage growth has been significantly stronger since 2007 than before the crisis.

Holding a job is a means to escape poverty, but it is not a guarantee: in-work poverty affects 8% of the working-age population – mainly single parents – in OECD countries. There are sizeable cross-country differences. The in-work poverty rates are high in southern European countries, especially in Spain and Greece where they have increased in recent years (around 14%) and Estonia, while the rates are around 4% in Denmark, the Czech Republic and Iceland. Over the past two decades, in-work poverty has intensified most for single parents and for one-income couples with children.

### **Access to productive and rewarding jobs remains difficult**

In addition to the jobs divide, there is a growing divide among workers with regard to the type of jobs they hold. Non-standard jobs (part-time, temporary and self-employment) have been on the rise in the decade previous to the crisis. Overall, non-standard jobs accounted for more than half of the growth in employment in the EU since 1995 in the period up to the global economic crisis.

Both temporary and part-time jobs have increased in a majority of the EU countries. The increases in temporary employment during the pre-crisis period were particularly large in Poland, Portugal and Spain, with growth at over 10%. Workers with fixed-term contracts were disproportionately affected by the job losses that occurred during the crisis but employment gains during the recovery have also been particularly strong for temporary jobs, leaving the incidence of temporary employment little changed. While around 14% of dependent employment is made of temporary employment on average, the figures is over 20% in Portugal, Spain and Poland, but it is 6% in the UK and around 35 % in Estonia (in 2015). Similarly, there was rapid growth in part-time work during the 1980s and early 1990s and the average incidence of part-time employment rose during the crisis, increasing from 14.6% in 2007 to 16.5% in 2015 across the EU.

Temporary employment tends to be associated with lower job quality because temporary workers face lower earnings, higher levels of labour market insecurity and higher job strain. In particular, those workers report higher exposure to physical health risk factors at work and workplace intimidation, while having less autonomy and learning opportunities and receiving lower support from their

colleagues (OECD, 2014). Part-time workers also face lower earnings quality and higher job insecurity but the incidence of job strain tends to be lower among workers on part-time contracts.

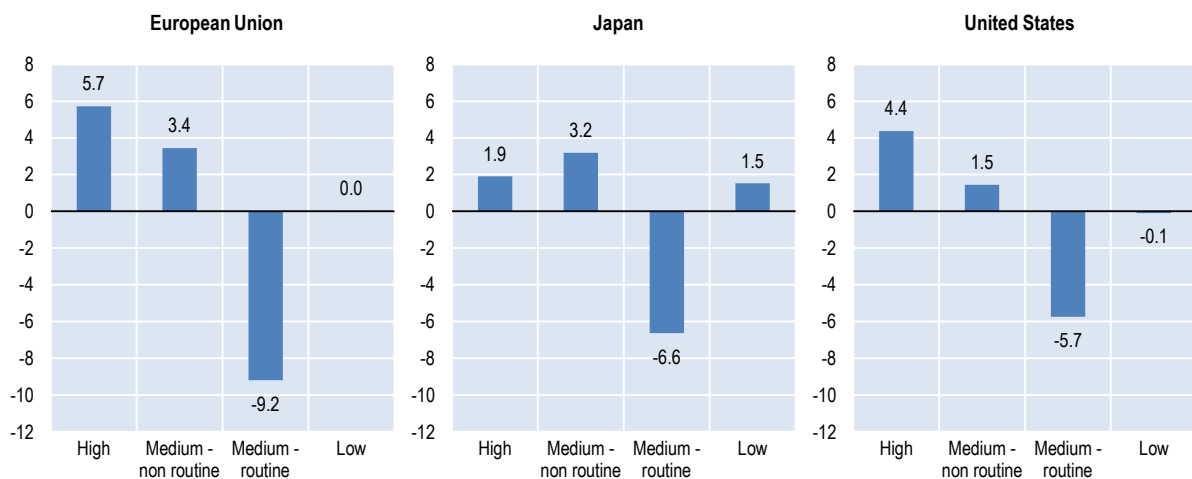
### New technologies are changing the nature of work and careers

Digitisation and automation have led to significant changes in occupational structure and will continue to change how existing jobs are carried out. Already in the past two decades, job types have undergone a process of skill or routine-biased technical change. This brought a polarisation of labour demand between high-skilled non-routine jobs, such as those involving interpersonal skills or creativity, and low-skilled non-routine jobs, such as food services and security.

Routine jobs (many of which are middle-skilled) are sought less as they are the ones most easily automated. In the future, workers will remain at risk of automation but this differs widely across countries, depending on how work is organised: countries where jobs rely less on face-to-face interaction are at higher risk of automation while countries where technology already plays a big role face a lower risk.

The share of workers at risk of automation reaches 10% across the OECD, and those whose task will evolve significantly represent 20 to 25% of the workforce (OECD, 2016). Across all countries, workers with a lower level of education are at the highest risk of displacement. While 40% of workers with a lower secondary degree are in jobs with a high risk of job automation, the figures for workers with a tertiary degree is less than 5%. Thus, automation could reinforce existing disadvantages faced by some workers.

**Figure 3.2. Labour markets have polarised across occupations**  
Percentage points changes in employment shares by occupation, 2002-2014



Source: OECD estimates based on EU-LFS, Japanese Labour Force Survey, BLS Current Population Survey

## The gender gap in the labour market has narrowed but remains high

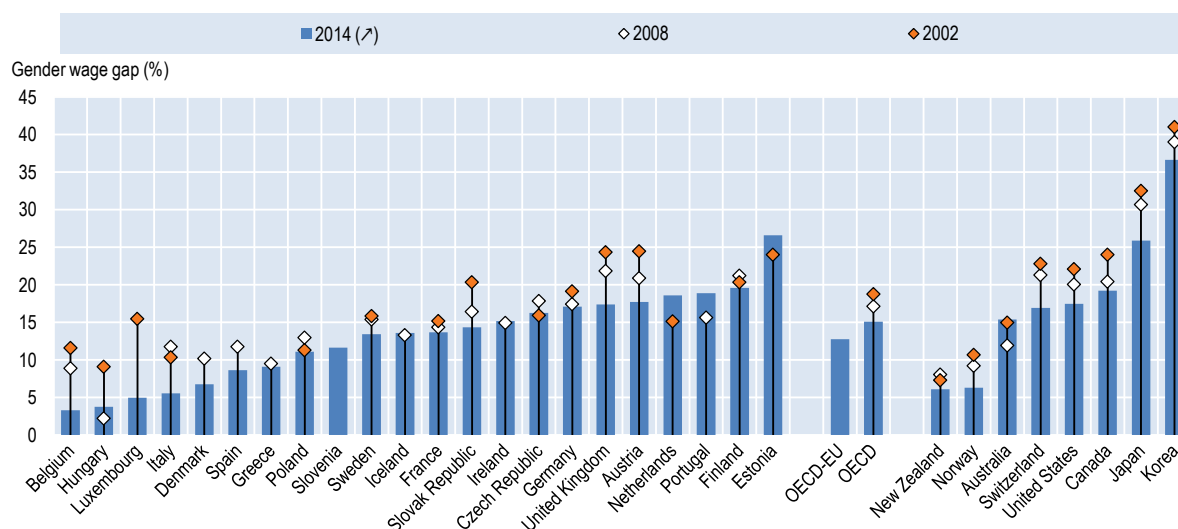
In the past 20 years, gender gaps in employment and earnings have declined in most European countries, but they persist. The gender gap in employment in the EU has halved between 1992 and 2014 from 21.6% to just below 10% but remains at over 16% in the Czech Republic, Greece and Italy. On the other hand, in the Nordic countries the gap in 2014 was only around 5 percentage points or less, and has changed little over time.

Women are still less likely to be in paid work, progress in their career and earn in their job less than men. Motherhood makes part-time work much more likely, and the share of part-time work in total female employment is greater in countries with significantly higher childcare costs (OECD, 2010). In addition, on average across the EU, only 31.5% of women are managers, although this ranges from around 22% in Luxembourg to 40% in Hungary.

Because women are less likely than men to progress in their careers and more likely to be employed in lower-paid occupations, the gender gap in pay persists. Median wages for men are higher than those for women, although the gap has narrowed over time. Even among full-time employees, in 2014 women earned, on average, 13% less than men in the EU. The widest gender pay gaps are in Estonia while the narrowest are found in a variety of countries, including Luxembourg, Hungary and southern European countries. In some of these countries – such as Greece, Italy and Spain – small gender pay gaps are the result of “selection effects”, whereby for various reasons only more highly qualified female workers tend to remain in the labour force, artificially increasing female median earnings.

**Figure 3.3. Women still earn less than men**

Gender gap in median earnings of full-time employees, 2002, 2008, and 2014 or latest available



a) The gender wage gap is unadjusted, and is calculated as the difference between the median earnings of men and of women relative to the median earnings of men. Estimates of earnings used in the calculations refer to gross earnings of full-time wage and salary workers. However, this definition may slightly vary from one country to another – see the *OECD Employment Database* (<http://www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm>) and the individual country metadata data available in OECD.Stat (<http://stats.oecd.org/index.aspx?queryid=64160>) for more detail.

b) Data for Estonia, Luxembourg, the Netherlands, and Slovenia refer to 2010, for France and Spain to 2012, and for Denmark, and Sweden to 2013

c) The OECD-20 average is the unweighted average for the 20 countries with data available for all three time points. The EU average is the unweighted average for all relevant countries with data available for 2014 (or latest available).

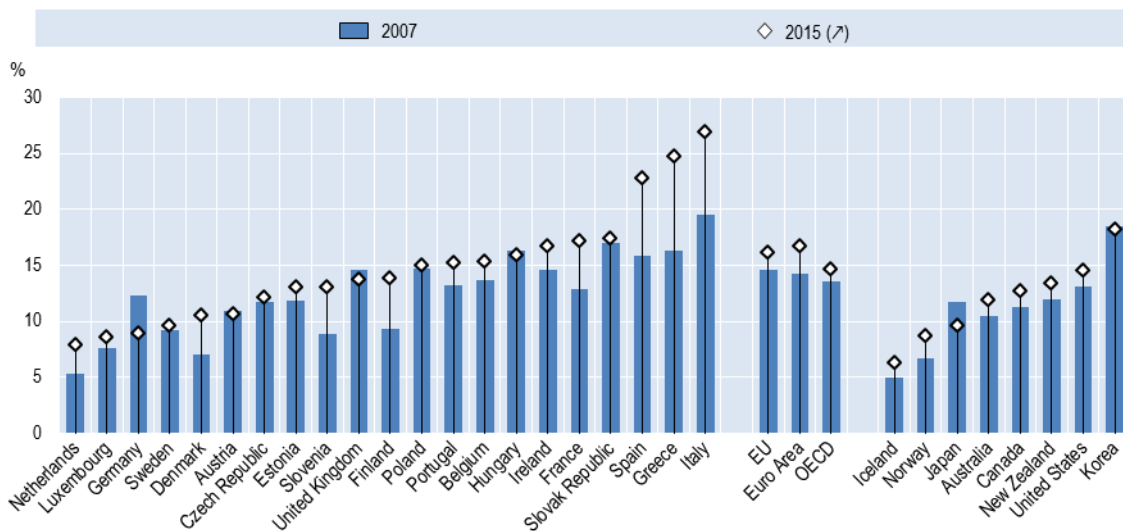
Source: *OECD Employment Database* ([www.oecd.org/employment/database](http://www.oecd.org/employment/database)).

**The economic recovery has been too weak in many countries to bring youth unemployment back to the pre-crisis level**

Despite the overall improvement in labour market performance, vulnerable groups such as low-skilled youth neither in employment nor in education or training (the so-called “NEETs”) risk being left behind. In 2015, 17% of 15-29 year-olds in the EU area were in this category, up moderately from 15% just before the economic crisis in 2007 (Figure 3.3). On average, close to 40% of all NEETs have not finished upper secondary schooling in the EU area and are less likely to be actively searching for a job than more educated NEETs (33% versus 45%). More than 40% of low-skilled NEETs in the EU live in a jobless household (i.e. a household that does not contain an employed adult), suggesting that many in this group experience both low current incomes and limited labour market opportunities. Many members of this vulnerable group are likely to require targeted assistance to improve their long-term career prospects. Low-skilled youth who are disconnected from both employment and learning risk being permanently left behind in the labour market.

**Figure 3.4. The NEET rate has increased in the majority of OECD countries**

Percentage of youth aged 15-29 who are neither employed nor in education or training, 2007 and 2015



Source: OECD calculations based on national labour force surveys except *OECD Education Database* for Australia, Korea, and New Zealand.



## 4. The social divide in education and human capital development

Education systems can be a force for social mobility. However, they can also reproduce and reinforce existing social divides. On average in most European countries, children from middle-class and wealthy families do better in school, are more likely to go to university and, eventually, earn more as adults. Later on in life, working-age adults with higher levels of education are more likely to benefit from lifelong learning than low-skilled individuals, perpetuating the social divide.

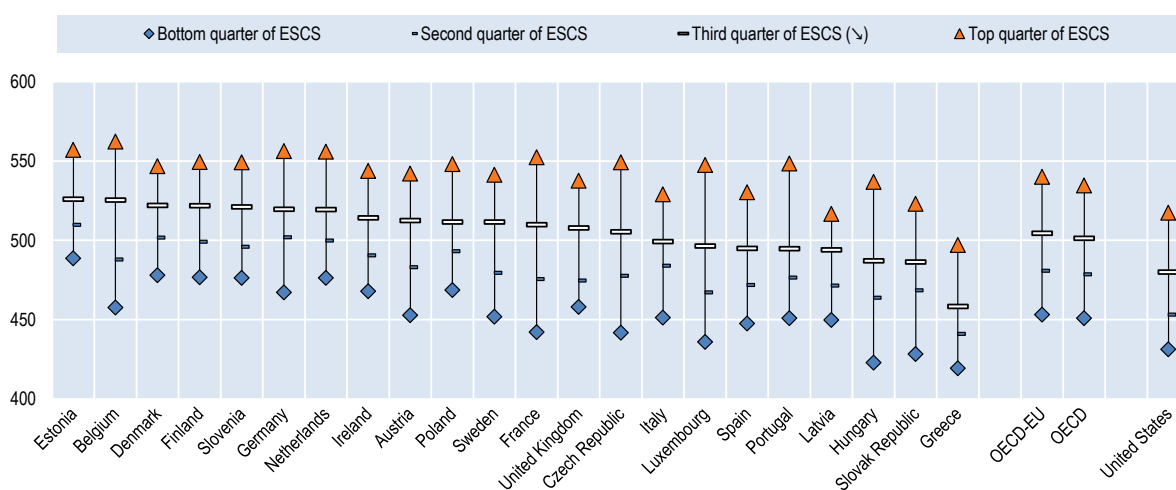
### Social divide in school performance

There is a gap in education outcomes among individuals with different socio-economic backgrounds, which implies large amounts of wasted potential. In all countries, children whose parents have less education perform worse than others on average (Figure 4.1) and children with better educated parents do better. In mathematics for example, children of age 15 with less educated parents scored 453 on average in PISA (Programme for International Student Assessment) tests while those with highly educated parents scored 540.

However, this gap in average performance by parental background differs across European countries: while some countries manage to keep it low –for example Estonia and Denmark- it is much bigger in others –France, the Czech Republic, Luxembourg and Hungary. Countries with similar average scores actually can actually have very different gaps in performance between low and high status families, see for example France compared to Sweden and the United Kingdom; or Germany compared to Slovenia and the Netherlands.

**Figure 4.1. “My dad is richer than yours” – children from better-off families have better school outcomes than their peers from disadvantaged families**

Score in mathematics by socio-economic status of parents, 2015



Note: ESCS refers to the PISA (Programme for International Student Assessment) index of economic, social and cultural status.

Source: PISA 2015

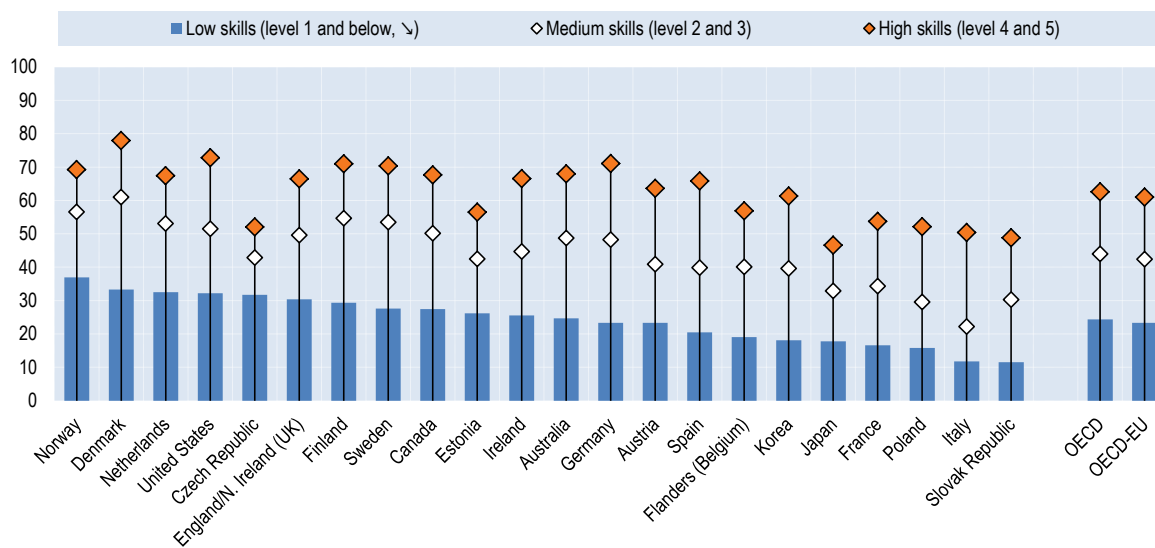
Investing in education and training will pay long-term dividends for individual well-being, as well as for the overall prosperity of our economies. Reaching excellence in schools through equity is possible. For that, more ambitious education and skills policies need to be developed. There are major potential benefits to equip disadvantaged groups, such as students with disadvantaged and low-skilled workers, to acquire better skills and compete for better-paying jobs.

### Unequal access to lifelong learning: the low-skills trap

Once young people reach working age, educational and skills inequality tend to perpetuate. For example, participation in training activities reflects such inequalities. Participation in training activities among low-skilled adults is particularly low, giving little reason to believe that they will manage to leave the group of low-skilled workers. Those with higher levels of basic skills proficiency are five times more likely to attend in adult learning activities than low skilled individuals (Figure 4.2). In other words, 20% of the population aged 16-65 (those with skills at level 1 and below) is caught in a “low-skills trap”. The key policy challenge is to help those adults escape that situation.

**Figure 4.2. The social divide in access to training: highly-skilled people are more likely to benefit from lifelong learning**

Percentage of adults who participated in adult education and training during year prior to the survey, by level of proficiency in literacy



Source: Survey of Adult Skills (PIAAC), 2012.

## 5. Socio-economic divides in health in Europe

Life expectancy has risen steadily over time across Europe, increasing on average by three months each year across the EU. Consequently, a child born in the EU today can expect to live to the age of 81 years and a 65-year-old a further 20 years, on average. Such gains have taken place in the context of improvements in education and living conditions over recent decades, a reduction in some important risk factors to health (notably tobacco smoking), and predominantly universal healthcare systems where the quality of care has steadily advanced over time.

### **Gaps in life expectancy remain persistent**

The gender gap in life expectancy has also narrowed slightly over the past decades, though women still live 5.5 years longer than men on average across EU countries. However, the gender gap in healthy life years – how long people can expect to live without disability – is much smaller, reflecting the fact that women are likely to spend a smaller proportion of their lives without disability (Figure 5.1).

The less educated and the poor are more likely to be in worse health and die prematurely than those in more favourable socio-economic circumstances. For example, individuals with lower levels of education have a lower life expectancy than the better educated across all European countries with comparable data (Figure 5.2). Differences are particularly large in Central and Eastern European countries, especially for men. In the Slovak Republic, Latvia, Hungary, Estonia and the Czech Republic, 65-year-old men with a high level of education can expect to live more than four years longer than those with a low education level.

### **Disparities in health status: the disadvantaged are most at risk**

Health disparities are also evident in terms of general health status. Across the EU, 78% of people in the highest income quintile report being in good health, compared with only 61% for people in the lowest income quintile. There are also large disparities by socioeconomic status for diseases and risk factors that are major causes of disability and lower quality of life (Figure 5.3).

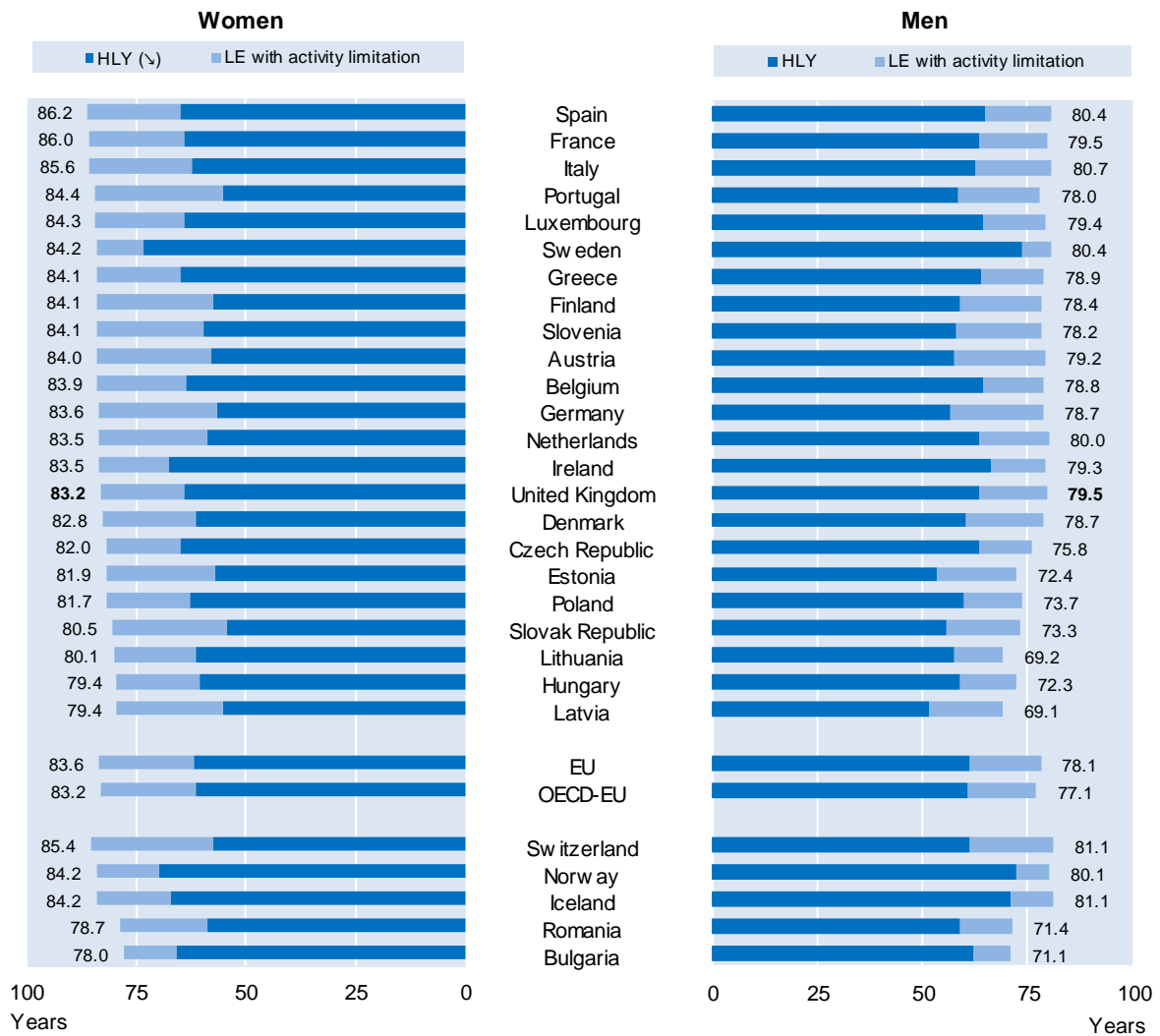
In particular, people with the lowest level of education are more than twice as likely to report having chronic obstructive pulmonary disease and diabetes as those with the highest level of education. Whilst these differences are due in part to the fact that higher proportions of people with low education are in older population groups, these chronic health problems are actually more prevalent among people with lower levels of education at all ages. People with low education levels often have poorer nutrition and are more likely to be obese (major risk factors for diabetes), and smoke (the main risk factor for chronic obstructive pulmonary disease).

Addressing inequalities in health and associated risk factors requires a range of policy reforms both to prevent diseases and to provide equitable access to care when people become ill. Improving access to care remains an ongoing challenge in many countries. For example, on average across EU countries, four times more people in low income groups reported unmet medical needs for financial, geographic or waiting time reasons as did people in high income groups (6.4% versus 1.5%). Inequitable access is particularly marked in Latvia and Greece, where about 25% and 17% of the lowest income group respectively reported unmet needs.

The social determinants of health also need to be addressed. Income, education, occupation, and the living environment (housing, crime, pollution) are all important factors influencing an individual's health and life expectancy. Ministries responsible for housing, education, income and social protection therefore need to be engaged, alongside health ministries. Partnerships with the private sector will also be important, especially in relation to working conditions. Policies both within and beyond the healthcare system are therefore required to reduce health inequalities.

**Figure 5.1. Women live longer than men, but spend a smaller share of their lives without disability**

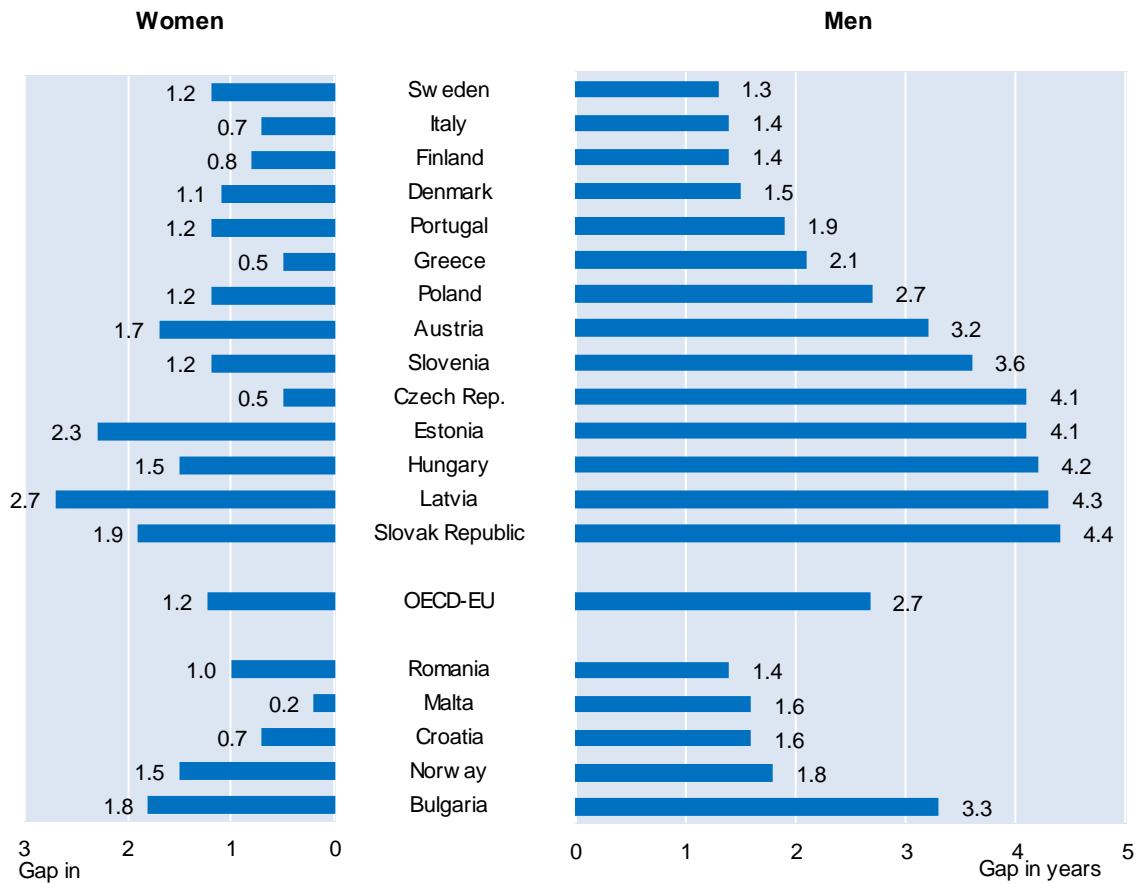
Life expectancy (LE) and healthy life years (HLY) at birth, 2014



Source: OECD/EC Health at a Glance: Europe 2016.

**Figure 5.2. Individuals with lower levels of education have a lower life expectancy than the better educated**

Gap in life expectancy at age 65 by gender and educational level, 2013 (or nearest year)

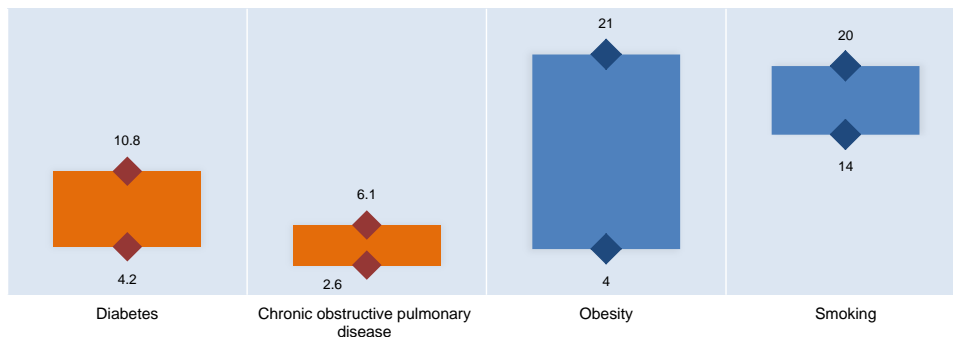


Note: The figures show the gap in the expected years of life remaining at age 65 between adults with the highest level (“tertiary education”) and the lowest level (“below upper secondary education”) of education.

Source: OECD/EC Health at a Glance: Europe 2016.

**Figure 5.3. Health disparities are evident for specific disease and risk factors**

Differences in disease and risk factors by education level, EU average  
Percentage of population aged 15 years or over (lowest vs. highest level of education)



Source: OECD calculations based on OECD/EC Health at a Glance: Europe 2016.

## 6. Immigrant integration

People living in the EU and OECD area who were born abroad number more than one in ten, and a further 10% are native-born with at least one immigrant parent. Across Europe, women represent about 52% of immigrants of working age and are overrepresented among the foreign-born in all countries except the Czech Republic, Finland, Luxembourg, Norway, Mexico, Romania, Spain and Slovenia.

Immigrants' outcomes vary significantly by field of economic and social integration. In most fields—labour market, education, material living conditions, social inclusion, etc. – immigrants tend to have lower outcomes than the native-born, though not always by much. Outcomes tend to be less favourable in Europe than in the OECD countries that have been settled by migration, partly because immigrants in the former countries have less favourable socio-demographic characteristics than the native-born.

Indeed, the composition of the immigrant population by category of entry, educational attainment and duration of stay is an important determinant of variations in successful integration performance across countries. For example, outcomes in Scandinavia have been shaped by large inflows of refugees – well before the current surge. Refugees are moreover a group that has more difficulties in integrating everywhere. In many other countries of western Europe, there has been significant low-skilled labour migration in the 1960s and early 70s, and whose outcomes are shaped by these migrants and the subsequent family migration. Southern Europe and Ireland are generally affected by the relatively high proportion of recent immigrants, a group that is more frequently exposed to housing problems and, for the more skilled among them, to over-qualification in their jobs. The relatively high level of qualifications among the immigrant population in some host countries (for example in the United Kingdom) has an overall positive impact on immigrant outcomes, particularly in terms of access to the labour market.

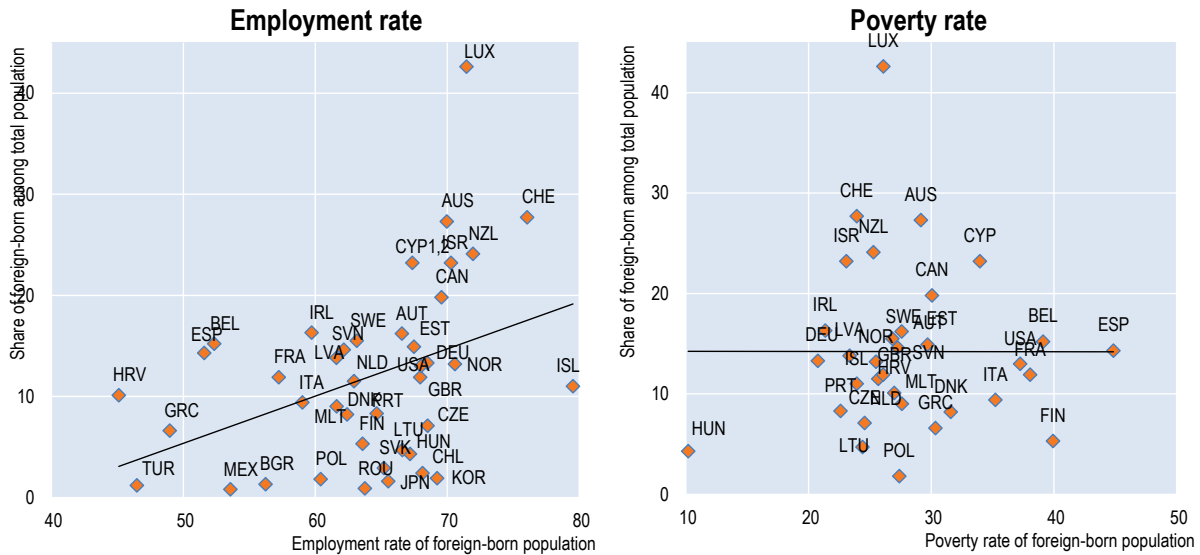
It is important to note that integration challenges do not increase with the share of immigrants in the population. There is no obvious link between the proportion of immigrants in the total population and immigrant integration outcomes, as Figure 6.1 illustrates with respect to employment and relative poverty rates. If anything, countries where immigrants tend to have better integration outcomes are home to high proportions of them. For example, countries that are home to high proportions of immigrants also tend to have the highest immigrant employment rates. One reason is that such countries tend to have greater shares of labour migrants, the only truly discretionary category of migration. In other words, labour migrants come on top of family and humanitarian migrants, who generally have less favourable labour market outcomes.

### **Migrants face challenges in terms of education and employment**

Immigrants in the EU have lower educational attainment levels on average than the native-born. About 36% have a low level of education, compared with 25% of the native-born. At the same time, about one in three immigrants of working age holds a tertiary education degree. A high level of education makes it easier to succeed in the labour market, yet immigrants with higher-education degrees struggle more to find a job than their native-born peers. Moreover, that struggle is greatest for those who have obtained their highest qualifications abroad, which is the case for around two-thirds of all immigrants. Forty-two percent of highly-educated, foreign-educated immigrants working in the EU have jobs that would require lower levels of education. This is twice the number of their foreign-born peers who hold qualifications from the host country.

**Figure 6.1. Integration challenges do not increase with the share of immigrants in the population**

Link between two indicators – employment rate and relative poverty rate – and the proportion of immigrants in the total population, 2012-13



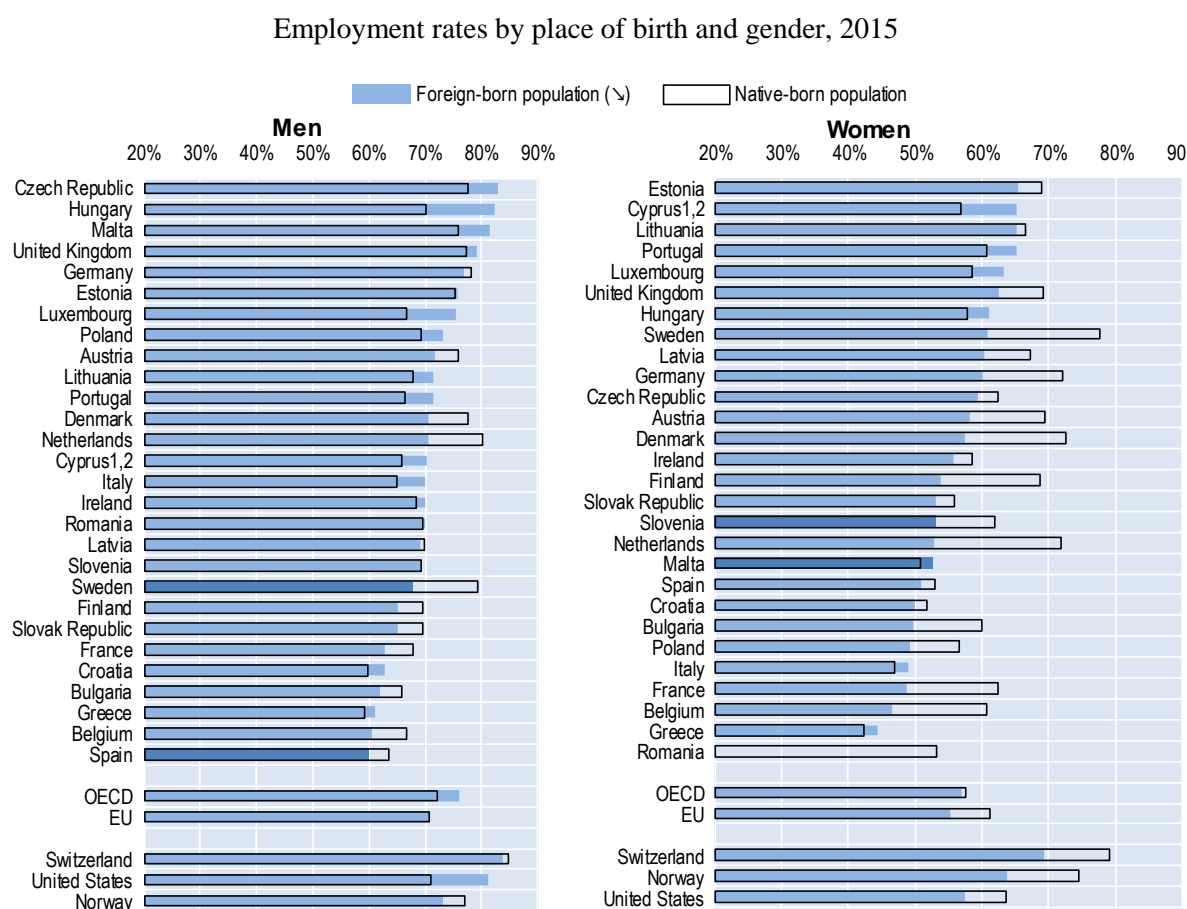
1. Footnote by Turkey: The information in this paper with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus issue”. 2. Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this paper relates to the area under the effective control of the Government of the Republic of Cyprus.

Source: “Employment rate”: European Union Labour Force Survey (EU-LFS) 2012-13. “Poverty rate”: European Union Statistics on Income and Living Conditions (EU-SILC) 2012. “Share of foreign-born population”: OECD Database on International Migration (2010-11). Eurostat Database on International Migration and Asylum for non-OECD EU countries (2012-13). European Union Labour Force Survey (EU-LFS) 2012-13 for Croatia.

Having a job affords less protection against the risk of poverty for migrant than native borne workers. This is due in part to the lower levels of education and, for those who have higher levels, difficulties of having these credentials fully valued. Immigrants in employment are twice as likely as their native-born peers to live in a household whose income is below the country’s relative poverty threshold. Associated with this is the fact that immigrants are more than twice as likely to live in overcrowded accommodation as their native-born peers (19% versus 8%), OECD area-wide. In virtually all countries, income inequality is also higher among immigrants than among the native-born. This reflects the wide diversity of the immigrant populations.

Across the OECD area in 2015, the average proportion of immigrants of working age who were in employment was, at 66.3%, comparable to the 64.8% share of their native-born peers. Those rates exceeded 70% in countries where immigration is primarily labour-driven and those where employment is relatively buoyant, like the settlement destinations Switzerland and Luxembourg. In the European Union, by contrast, immigrants were less likely to be in employment than the native born (63% versus 66%), chiefly because women’s average employment rate of 55% was 6 percentage points lower than that of their native peers (Figure 6.2). Far fewer immigrant than non-migrant women are in work in the longstanding immigration destinations of the EU15 countries, particularly in Denmark, the Netherlands and Sweden; in those countries, the gap between the two groups exceeds 15 points.

**Figure 6.2. Employment among immigrant women in Europe is low**



1. *Footnote by Turkey:* The information in this paper with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

2. *Footnote by all the European Union Member States of the OECD and the European Union:* The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this paper relates to the area under the effective control of the Government of the Republic of Cyprus.

Source: OECD/European Union (2015), Indicators of Immigrant Integration 2015: Settling In, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264234024-en>.

Immigrants are more likely to experience involuntary inactivity – that is, willing to work but not actively seeking work. Across the European Union, a higher proportion of inactive immigrants (21%) than inactive native-born (16%) declare that they are willing to work. On average, slightly more men than women are inactive against their will, though higher proportions of mothers of children under the age of six have been forced into inactivity.

Differences between immigrants and native-born populations cannot be entirely explained by observable socio-demographic variables, and the share that can be explained varies according to the field of integration covered. This underlines the importance of factors such as proficiency in the host-country language; the quality of the diploma obtained abroad; the importance of “soft factors”, such as motivation; adaptability to a new environment; cultural awareness; and finally the importance of contextual factors, such as the situation and functioning of the housing and labour markets and the conditions of access to social services but also the prevalence of discrimination.

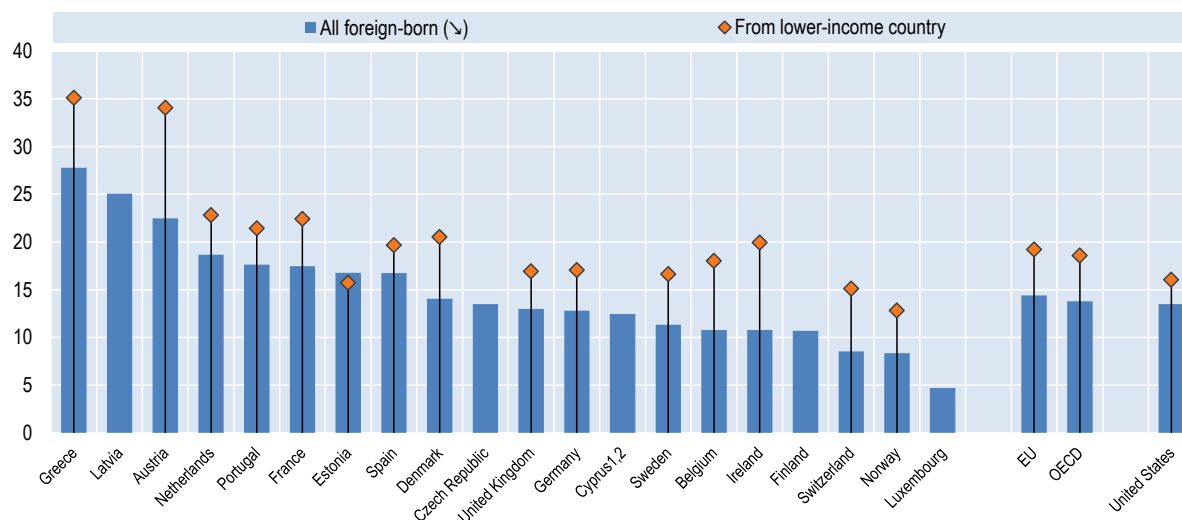


Overall, employment and other gaps between immigrant and native-born populations tend to shrink over time, as immigrants become more familiar with the host-country. Indeed, before the recent economic and financial crisis (and the refugee crisis), more recent cohorts of immigrants were showed better outcomes at the same point in their stay than those who had arrived before them. This is especially the case in the early years after arrival. That may be a result of a combination of factors, among them an overall improvement in the employment situation after 2001; a larger share of labour migrants in the inflows in many countries, and an enhanced policy focus on the labour market integration of new arrivals. In countries where recent immigration consisted largely of labour migration, with immigrants generally having jobs upon arrival – such as Italy and Spain– the economic crisis has severely affected the outcomes of recent cohorts.

The nature of the relationship between a host society and its immigrant population is a critical factor in integration. If social cohesion is strong, it will promote integration; if it is weak, immigrants will find it harder to fit in. In the OECD and EU areas, between 2002 and 2012, one immigrant in seven felt that they were discriminated against on the grounds of their origin (Figure 6.3). Perceived discrimination is more widespread among men and people born in lower income countries. Foreigners born abroad also perceive more often to be the target of discrimination than their peers who have naturalised. The groups most exposed to ethnic discrimination (young people, the unemployed, and the elderly) vary widely from one country to another.

**Figure 6.3. Self-reported discrimination is higher among migrants from lower-income countries**

Share of 15-64 year-old immigrants who consider themselves members of a group that is discriminated/has been discriminated against on grounds of ethnicity, nationality or race, by place of origin, 2002-12



Source: OECD/European Union (2015), *Indicators of Immigrant Integration 2015: Settling In*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264234024-en>.

### The social divide between young people with and without a migrant background

Native-born children of immigrants raised and educated in the host country tend to face persistent disadvantages compared to children with native-born parents in many countries. The former group is an important and growing demographic. In 2013, in the 22 EU and OECD countries for which data are available, nearly 20% of 15-34 year-olds was native-born – with at least one immigrant parent or

immigrated as a child. Since one would not expect them to face the same obstacles that migrants who have arrived as adults are facing, their outcomes are often viewed as the benchmark for the success of integration in the long run. Yet, in European countries, the outcomes of such youth tend to be lower than those of other youth, in contrast to what is observed in the non-European OECD countries, although large differences can be noted within the EU itself. Educational and labour outcomes are particularly worrying in some Southern European countries as well as France and Belgium. By contrast, results are relatively good in Ireland and the United Kingdom. This reflects the often less favourable characteristics of their parents. The outcomes of native-born youth with immigrant parents tend to be better than those of their peers who have themselves immigrated.

Education is generally a key driver of the labour market integration of immigrant offspring and of immigrants who arrive as children, although less so among women than men. Overall, more female than male immigrant offspring enter tertiary education. Unlike their male peers, women appear to enjoy a better chance of going on to higher education if they attend school in the host country.

Successful educational outcomes for children are partly determined by socio-economic factors, the characteristics of the schools they attend (namely the percentage of parents with poor educational attainment). At the same time, a high concentration of children of immigrants in schools is only an issue if their parents have little or no education, as is often the case in EU countries. School performance at age 15 improves the longer pupils have resided in the host country, and the native offspring of foreign-born parentage outperform immigrants who arrived during their childhood.

Gaps also remain in terms of access to employment by the children of immigrants and the quality of jobs they hold. In addition, they are less likely than the rest of the population to find jobs in the public sector, despite having the nationality of their country of residence.

In the EU, the youth unemployment rate among native-born immigrant offspring is almost 50% higher than among the young with native-born parents. In Austria, Belgium and the Netherlands, the unemployment rate of immigrant offspring was as much as three times higher than that of their peers of native parentage. The discrepancy between the two groups is less pronounced in other EU countries although unemployment rates may be high, especially in Spain, and to a lesser extent in France, Belgium and the United Kingdom. In non-EU OECD countries, the rates of the two groups are similar. Since 2007-08, youth employment rates among native-born immigrant offspring have declined in most countries, more than among the offspring of the native-born, especially among men.

Both male and female immigrants and immigrant offspring are more likely to be NEET than their counterparts without an immigrant background. While few gender differences are observed in unemployment, more women generally fall into the NEET category than men, chiefly because they account for a larger share of the inactive. The gender difference is widest among immigrants who arrived as adults – an average of 24 percentage points in the OECD area and 20 points in the European Union. It is at least five times greater than the gender gap among youth with native-born parents in the OECD area and the European Union, and some three times greater than among immigrants who arrived as children.

A particularly worrisome finding is that native-born immigrant offspring in the EU are more likely to report being discriminated against than their foreign-born peers who migrated to the EU. This stands in marked contrast to the non-European OECD countries, and is a threat to social cohesion.

## References

- James, C, M. Devaux and F. Sassi (forthcoming), *Inclusive Growth and Health*.
- OECD (2016a), *Society at a Glance 2016: OECD Social Indicators*, OECD Publishing, Paris.  
<http://dx.doi.org/10.1787/9789264261488-en>.
- OECD (2016b), “Inequality Update – November 2016”.  
<http://www.oecd.org/social/OECD2016-Income-Inequality-Update.pdf>
- OECD (2016c), *OECD Employment Outlook 2016*, OECD Publishing, Paris.  
[http://dx.doi.org/10.1787/empl\\_outlook-2016-en](http://dx.doi.org/10.1787/empl_outlook-2016-en).
- OECD (2016d), *International Migration Outlook 2016*, OECD Publishing, Paris.  
[http://dx.doi.org/10.1787/migr\\_outlook-2016-en](http://dx.doi.org/10.1787/migr_outlook-2016-en).
- OECD (2016e), *Equations and Inequalities: Making Mathematics Accessible to All*, OECD Publishing, Paris.  
<http://dx.doi.org/10.1787/9789264258495-en>.
- OECD (2015a), *In It Together: Why Less Inequality Benefits All*, OECD Publishing, Paris.  
<http://dx.doi.org/10.1787/9789264235120-en>.
- OECD (2015b), *Health at a Glance 2015: OECD Indicators*, OECD Publishing, Paris,  
[http://dx.doi.org/10.1787/health\\_glance-2015-en](http://dx.doi.org/10.1787/health_glance-2015-en).
- OECD/European Union (2015c), *Indicators of Immigrant Integration 2015: Settling In*, OECD Publishing, Paris,  
<http://dx.doi.org/10.1787/9789264234024-en>.
- OECD (2014), “Focus on Top Incomes and Taxation in OECD Countries: Was the crisis a game changer?”  
<http://www.oecd.org/els/soc/OECD2014-FocusOnTopIncomes.pdf>
- OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing, Paris.  
<http://dx.doi.org/10.1787/9789264119536-en>.
- Paris, V. et al. (2016), “Health care coverage in OECD countries in 2012”, *OECD Health Working Papers*, No. 88, OECD Publishing, Paris.  
<http://dx.doi.org/10.1787/5jlz3kbf7pzv-en>.