IDENTIFICATION OF THE MAIN PROBLEMS OF THE SOCIO-ECONOMIC DIMENSION AT THE EU27 LEVEL

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Abstract:

The year 2022 unfortunately brought, with the outbreak of the war in Ukraine, new challenges in international and European politics. The European Union thus reiterated its support for the defence of European democracy, but also its firm commitment to a more politically, economically, socially and ecologically sustainable world. Beyond the human losses and the medical and economic consequences left by the COVID-19 pandemic, from a social and educational point of view, children, young people, women, people with disabilities, people at risk of poverty or seriously ill were the most affected social categories in the pandemic. In this context, the article aims to describe and analyze some socio-economic indicators at the level of the EU27 countries in order to outline the main problems in the social and economic field for the period 2011-2021.

Keywords: *poverty, inequity, employment, public debt, budget balance/imbalance*

JEL classification: *E63, H63, Q01*

Introduction

With the creation of the single market, through the resulting benefits, the social dimension of the EU has become more and more highlighted. Strong economic growth, improved competitiveness, European integration, solidarity, accountability, information transfer and consolidation of best institutional practices are just a few elements that can strengthen the social nature of the EU. The history of Europe outlines different social constructions from one state to another, with distinct national and regional, sub-regional historical circumstances, and the social construction of the EU presents the uniqueness of this amalgam of patterns. In addition to these distinct political, economic and social models, EU countries face increasingly diverse crises and shocks (medical, political, energy, agri-food, etc.) that reveal each state's resilience capacity or inability in part, but also of the EU27 as a whole.

Recent international and European policy guidelines increasingly speak of a globalized world with ever-increasing collective responsibilities, an ecologically sustainable world in which society aims to become more equitable and technology plays an increasingly important role. Thus, in response to the desire of the European Union, which aims to become the first climate-neutral continent by 2050, a series of EU reports and programmatic documents outline the resources, but also the vulnerabilities and challenges it has to face in the future nearby.

In this context, resilience can contribute to the preservation of values and the achievement of the EU's sustainable development goals, through the dimensions that address them (e.g., the

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geopolitical dimension, the social and economic dimension, the ecological dimension and the digital dimension). (European Commission, 2020, Strategic Foresight Report Charting the course towards a more resilient Europe). Therefore, without focusing on these dimensions, we strictly follow in this article the analysis of the evolutions of a series of indicators that capture the social and economic dimension of the EU27, outlining the vulnerabilities, but also the capacity of the socio-economic dimension.

Description of the Problem and Literature Review

The social dimension of economic development often covers elements related to changes in social structure, political changes and integration or solidarity and changes related to the diversity of developing societies, considering that only projects that recognize the connections between cultural subsystems are capable of achieving better results, ecological, and economics of each society (Smelser, 1997). Therefore, there are many facets of the social dimension analysed in the literature in relation to a series of challenges: economic development/growth, globalization (e.g., World Bank, 2006), the pandemic crisis generated by COVID-19 (Gourinchas, 2020; International Labor Organization, 2021; OECD, Employment Outlook, 2021), wars, riots and conflicts (e.g., Barnett and Adger, 2007; Watts, 2007), but also in relation to climate change (e.g., Mearns and Norton, 2010), etc.

Also on trends, the report World Employment and Social Outlook: Trends (ILO, 2022) provides a comprehensive assessment of how the labour market recovery has played out around the world, looking at global patterns, regional differences and outcomes across economic sectors and groups of workers. Thus, the report signals that the outlook for the global labour market has deteriorated since the last projections of the International Labour Organization (ILO), a return to pre-pandemic performance is likely, for much of the world, to remain elusive in the coming years. Based on the latest economic growth forecasts, the ILO estimates that total hours worked globally in 2022 will remain almost 2% below their pre-pandemic level, corresponding to a shortfall of 52 million equivalent jobs full-time (assuming a 48-hour work week). Global unemployment is projected to reach 207 million in 2022, surpassing the 2019 level by about 21 million.

According to the above report, economic recovery after the COVID-19 pandemic has followed different patterns across sectors and geographic regions. Many decent labor gains made before the pandemic have been significantly affected, and pre-existing labor shortages diminish the prospects for a sustainable recovery in many regions. Employment in low- and middle-income countries remained significantly below that seen in richer economies, working conditions became increasingly hostile, social inequality increased, and social protection systems were weaker. These developments also occurred due to the narrower fiscal space against the background of high expenses with the control of the COVID-19 pandemic crisis, but also lower vaccination rates. Although temporary work is seen as a shock absorber in times of economic uncertainty, the report nevertheless believes that the wider use of temporary contracts will lead to segmentation of labour markets, which will have suboptimal outcomes for both employers and workers and may affect increasing long-term productivity (ILO, 2022).

Methodology and Data

Given that the report "RESILIENCE DASHBOARDS FOR THE SOCIAL AND ECONOMIC, GREEN, DIGITAL, AND GEOPOLITICAL DIMENSIONS" of the European Commission of July 26, 2021 indicates that, internationally, at the level of the countries selected by the report, the economic and social field centralizes a level increased vulnerability index in relation to other

analysed dimensions (e.g. green, digital and geopolitical), the article analyses a series of issues regarding the capacities and vulnerabilities of the social and economic indicators selected on the basis of this report. Thus, only 10 indicators of socio-economic vulnerabilities and only 8 indicators of capacities for the social and economic field are selected from the report. To these I have added two more indicators that do not exist in the resilience dashboard reports: Current taxes on income, wealth, etc. [TEC00018] and General government deficit (-) and surplus (+) - annual data [TEINA200]. Both indicators are statistically reflected as a percentage of GDP. The analysed indicators are: Arpr- At-risk-of-poverty rate by sex [TESSI010] (% population with an equivalent disposable income, after social transfer, below the poverty risk threshold); IqsrS80/S20 - Income quintile share ratio (S80/S20) by sex [TESSI180]; Eeis - Employment in energy intensive sectors (thousands of people) [LFSA_EGAN22D]; Emhar - Employment in manufacturing with high automation risk (thousands) [LFSA_EISN2]; Rdhi - Regional dispersion of household incomes (ratio) based on income of households by NUTS 2 regions [NAMA_10R_2HHINC$DEFAULTVIEW]; Srumn - Self-reported unmet needs for medical examination by sex, age, main reason declared and income quintile [HLTH_SILC_08$DEFAULTVIEW](%); Geg- Gender employment gap, by type of employment [SDG_05_30] (Percentage points); NEET - Young people neither in employment nor in education and training by sex (15-29 years) (% of the relevant population group) [SDG_08_20]; Ltu - Long-term unemployment by sex - annual data (% of population in the labor force) [UNE_LTU_A$DEFAULTVIEW]; Gggd - General government gross debt (% GDP) [SDG_17_40]; Ist- Impact of social transfers (excluding pensions) on poverty reduction by sex (%)[TESPM050]; Hsr - Household saving rate (%)[TEC00131]; Ggeehspe - General government expenditure by function (COFOG) (education, health, social protection) (% GDP) [GOV_10A_EXP$DEFAULTVIEW]; Sptm - Standardised preventable and treatable mortality (rate) [SDG_03_42]; Hly - Healthy life years by sex (from 2004 onwards) [HLTH_HLYE$DEFAULTVIEW]; Calt3yfc - Children aged less than 3 years in formal childcare (% of the corresponding population category) [TEPSR_SP210]; Empl - Employment and activity by sex and age - annual data (% of total population) [LFSI_EMP_A$DEFAULTVIEW]; IsGDP - Investment share of GDP by institutional sectors (% GDP)[SDG_08_11]; Ggds- General government deficit (-) and surplus (+) - annual data (% GDP) [TEINA200]; Ctiw- Current taxes on income, wealth, etc. (% GDP) [TEC00018].

Results

The socio-economic field certainly includes a much wider area of indicators than those captured in the resilience dashboards. However, they are considered representative by the European Commission for describing the socio-economic situation and its coupling with other important areas such as the green economy, digitization and the geopolitical dimension.

The first monitored indicator is the poverty risk rate by gender. It should be noted that, according to Eurostat, the poverty risk rate is the share of people with an equivalent disposable income (after social transfer) below the poverty risk threshold, which is set at 60% of the median national equivalent disposable income after transfers. Therefore, this indicator does not measure wealth or poverty, but low income compared to other residents of that country, which does not necessarily imply a low standard of living. Pensions, such as old-age and survivor's (widow's/widower's) benefits, are counted as income (before social transfers) and not as social transfers. The indicator examines the hypothetical non-existence of social transfers. The idea of persistence can be outlined by following the at-risk-of-poverty rates over a period of several years in a row.

It should be emphasized that one of the five main objectives of the indicators in the Europe 2020 strategy is to reduce poverty by removing at least 20 million people from the risk of poverty or

social exclusion by 2020, a relatively insignificant and otherwise missed target, taking into account that, according to the Eurostat, in 2020 in the EU there were 96.5 million people exposed to the risk of poverty or social exclusion, representing 21.9% of the population, of which there were 75.3 million people exposed to the risk of poverty, 27.6 million were disadvantaged in material and social terms and 27.1 million lived in a household with low work intensity.
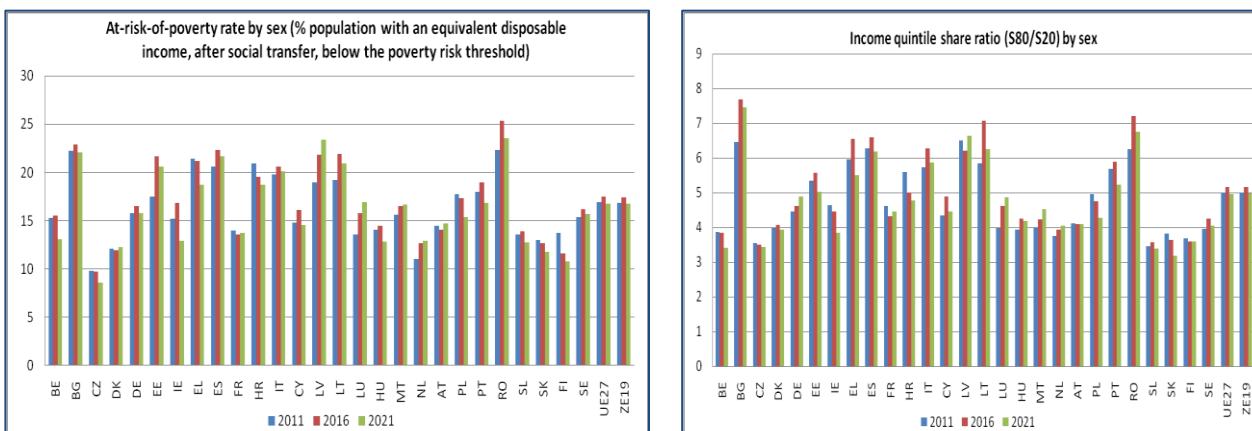
Figure 1 - The situation of the At-risk-of-poverty rate and the share ratio of the income quintile S80/S20 at the level of the EU27 countries in the years 2011, 2016 and 2021
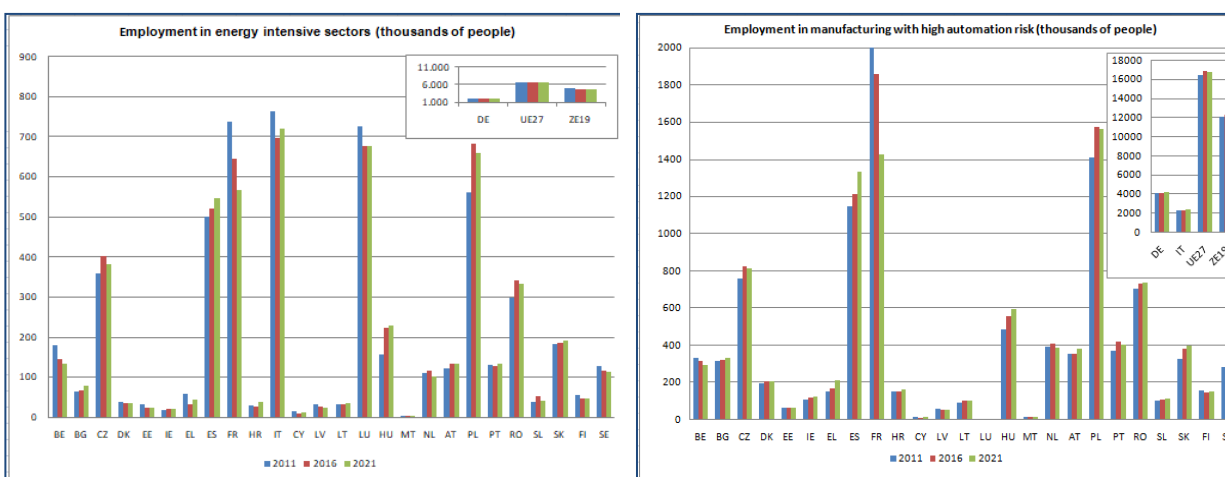*Source: Eurostat, author processing*

As we can also see from figure 1, during the analysis period, the poverty risk rate is at rates of over 20% of the population in Romania, Bulgaria, Latvia, Lithuania, Estonia, Spain, Greece, Croatia and Italy, practically the entire eastern flank and southern EU27. The Czech Republic is the country with the best evolution in the field, with an average of less than 10% of the population, followed by Denmark, the Netherlands, Finland, Slovakia and Slovenia. At the same time, it is noted that the average level of the EU27 and the euro zone is relatively high, over 15%, which suggests the need for social policies with a clear direction in reducing poverty at the level of the EU countries. According to Eurostat, the income quintile share ratio or the S80/S20 ratio is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20% of the population with the highest income (top quintile) to that received by the 20% of the population with the lowest income (bottom quintile). In this sense, it seems that particular problems regarding income inequality (a level of more than 6 times higher between the two income thresholds) are recorded in Bulgaria, Romania, Spain, Latvia, Lithuania, Greece and Italy.

It should be noted that, in general, employment is considered as contributing substantially to economic growth and ensuring the economic and social stability of a country or region of the world, but in the context of the transition to a new type of economy and the problem of the precariousness of energy resources, employment in high energy-consuming fields, but also in fields with a high risk of automation can be considered economic vulnerabilities (see Figure 2). According to Eurostat, the sectors generally classified as high energy consumers are the manufacture of chemicals and chemical products, the manufacture of other non-metallic mineral products, the manufacture of base metals and the manufacture of motor vehicles, trailers and semi-trailers. These fields seem to expose mainly countries like Germany, with over 2 million people employed in these fields, but also countries like Italy, Luxembourg, France, Poland and Spain. The Czech Republic and Romania, although not exposed as strongly as other dominant EU economies, may also suffer in the near future from the effects of the energy crisis on an industrial level.

The occupations considered by the EU in its resilience dashboards to be at risk of automation

are: technicians and allied professionals, clerical workers, sales and service workers, plant and machinery operators and fitters, and other basic occupations. In this sense, Germany and Italy, and to a lesser extent, France, Poland and Spain may be affected by the transition to an economy with an important component in automation.


Figure 2 - The situation of employment in energy-intensive sectors and employment in manufacturing with a high risk of automation at the level of the EU27 countries in 2011, 2016 and 2021

Source: Eurostat, author processing

If we analyse at the level of EU27 countries the regional dispersion of household income by NUTS 2 regions (see Figure 3) (calculated as reporting, at the level of a country, the maximum regional income to the minimum, measured in our case in millions of euros), we notice that there a widening of income inequalities in countries such as Spain and France, even above the EU27 average, followed by countries such as Italy, Finland, but also Portugal, Germany, Belgium, Greece and the Netherlands, but to a lesser extent. Practically, we observe that all Romanic language speaking countries show a high regional income disparity, probably not only as a result of differentiated regional development, but also as a result of a cultural and probably industrial structure differentiated at the regional level.

Regarding the self-reported unmet needs for medical examination, we note that in 2011, in Latvia, Romania, Bulgaria and Greece, the indicator exceeded 6%, subsequently decreasing substantially, remaining high (over 6%) only for Greece at the level of 2021. Noted that additional efforts are needed regarding these countries, especially since the level of the EU27 and the Eurozone (EE19) of the indicator is relatively low (below 2%) and improving from year to year.
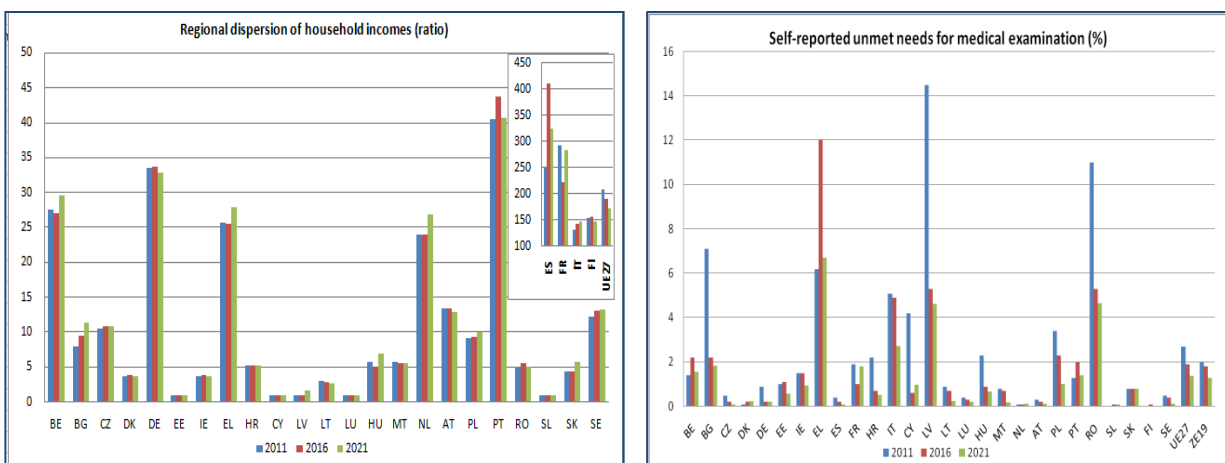
Figure 3 - The situation of the regional dispersion of household income and self-reported unmet needs for medical examination at the level of the EU27 countries in the years 2011, 2016, 2021

Source: Eurostat, author processing

The gender employment gap or gap reflects the difference between employment among men and women aged 20-64. The indicator reflects a possible distortion as well as a sub-optimal use of human capital on the labour market, highlighted especially in moments of economic crisis, often making recovery from the crisis more difficult. Thus, in Figure 4, during the analysis period, Malta seems to excel negatively in this regard, followed by Greece and Italy and, to a lesser extent, by Romania and the Czech Republic. Instead, Lithuania, Latvia, Finland and Sweden seem to keep this gap under the best control.
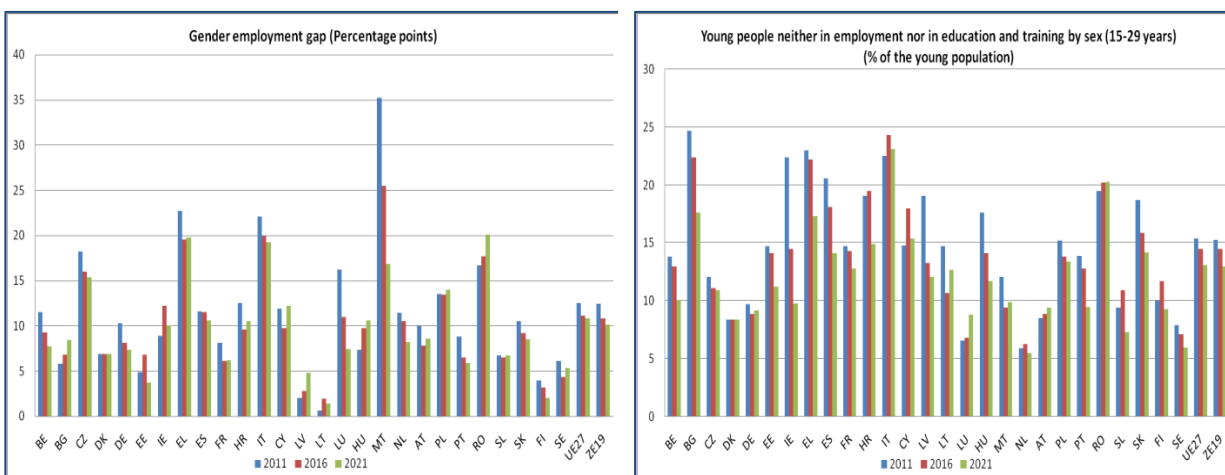
Figure 4 - The situation of the employment gap between women and men and of young people who do not have a job, nor follow an education and training program at the level of the EU27 countries in the years 2011, 2016 and 2021
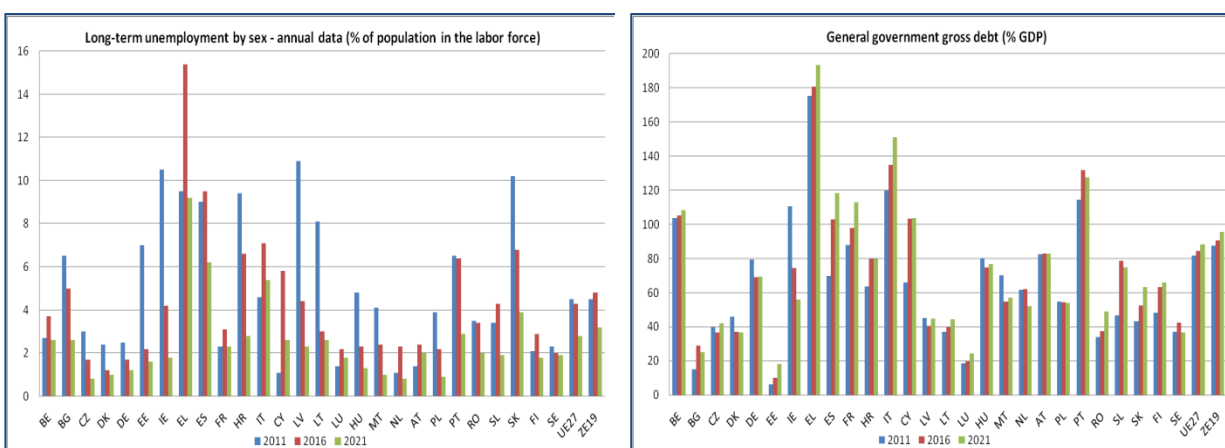
Source: Eurostat, author processing

When we look at the indicator Young people who do not have a job, nor follow an education and training program, by sex (aged between 15-29 years) (NEET) we can note that, in general, at the level of the EU27 and in the euro zone, the trend is to reduce and therefore to improve the indicator, and the year 2021 marks an excess of 20% only for Italy, but Romania also seems to have an adverse, worrying trend.

Regarding long-term unemployment, at the level of the EU27 and euro area (EE 19) average (see figure 5), the situation seems to have improved over time in the period 2011-2021. In 2021, regarding long-term unemployment, only Greece seems to exceed 8% of the working population, less difficult and decreasing, but still worrying, situations being noted for Spain and Italy.

Considering the public debt, a deterioration of the indicator observed at the level of the EU27 and ZE19 average can be observed over the entire period of analysis, 2011-2021, the 60% threshold imposed by the Maastricht Treaty being violated since 2011 by most EU countries. An alarming situation can be noted for Greece, with a public debt of over 160% over the entire analysis period, followed by Italy, Portugal, Belgium and Cyprus (over 100% of GDP). Also, great concerns can be specified for Spain and France, which in the 2020-2021, they also exceeded the psychological threshold of 100% of GDP.

Figure 5 - The situation of long-term unemployment by gender and gross public debt at the level of EU27 countries in 2011, 2016 and 2021

Source: Eurostat, author processing

Regarding capabilities, we start the analysis with the indicator on the impact of social transfers on poverty reduction (see Figure 6, left). The indicator reveals the percentage reduction of the poverty risk rate, due to social transfers (calculated by comparing the poverty risk rates before social transfers with those after the transfers).
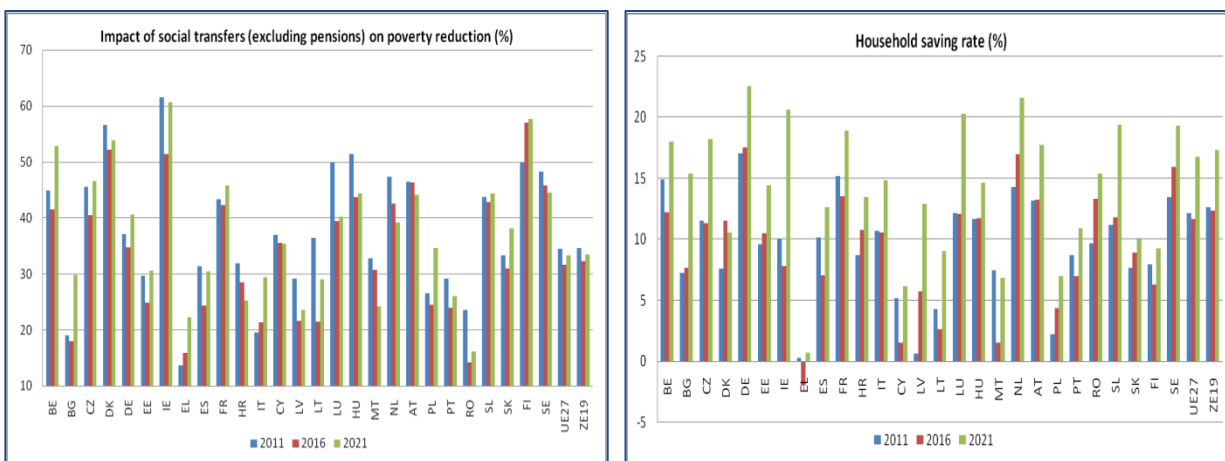
Figure 6 - The situation of the impact of social transfers and the saving rate of households at the level of the EU27 countries in the years 2011, 2016 and 2021
Source: Eurostat, author processing

Thus, for the period of analysis, 2011-2021, we observe at the average level of the period, by country, that: Ireland, Finland and Denmark are the three countries with the best performances in the field, while Romania, Greece and Italy are the poorest performances regarding the impact of social transfers. At the level of 2021, Ireland, Finland and Denmark remain in the ranking of countries with the best performances in terms of the impact of social transfers, while among the worst performers, together with Romania and Greece, Latvia also appears.

Therefore, one could outline the idea that in addition to the larger sums that must be delivered to the population, countries with significant social problems in terms of poverty must simultaneously expand the area of beneficiaries, act with priority on the most vulnerable categories (children and youth), as well as review the programs implemented, so that the degree of penetration of social transfers is more effective.

Regarding the household savings rate, over the entire period of analysis, 2011-2021, on average, the countries with the three best performances in the field are: Germany, the Netherlands and Sweden, and the countries with the worst results are: Greece, Cyprus and Lithuania. At the level of 2021, the countries with the highest saving rates are Germany, the Netherlands and Ireland, and the countries with very low saving rates are: Greece, Cyprus and Malta. The household saving rate (expressed as a percentage) is the ratio of gross saving to gross disposable income adjusted for the change in household net capital from pension fund reserves.

If we analyse the situation of public spending on functions such as education, health and social protection (see Figure 7, left), on average, over the entire period of analysis, it stands out negatively, with a limited share of GDP of spending: Romania, Bulgaria and Ireland, while countries such as: Denmark, France and Finland have understood the need to invest public funds in these vital areas of society. In 2021, with a slight reversal of position, countries such as Ireland, Romania and Bulgaria remain in the ranking of states with very low public spending in education, health and social protection, while the top is still occupied by France, Finland and Denmark. For this reason, it is not surprising that in 2021, in terms of preventable and treatable standardized mortality in the top three negative are: Romania, Latvia and Hungary, while the countries that have this type of low mortality are: Italy, Spain and Sweden. In fact, we notice that the entire flank of the Eastern European countries and the Baltic countries have significant problems in maintaining these low mortality rates.

It should be noted that preventable and treatable mortality, therefore avoidable, emphasizes elements of primary prevention, i.e., before the onset of diseases/injuries with the aim of reducing their incidence. According to the Eurostat approach, total avoidable mortality includes a number of infectious diseases, several types of cancer, endocrine and metabolic diseases, as well as some diseases of the nervous system, circulatory, respiratory, digestive, genitourinary, some diseases related to pregnancy, childbirth and prenatal period, a range of birth defects, but also adverse effects of medical and surgical care, as well as a list of alcohol and drug-related injuries and disorders. The data, to improve comparability, are presented as standardized mortality rates, meaning they are adjusted to a standard age distribution to measure mortality rates independent of the different age structures of the populations.
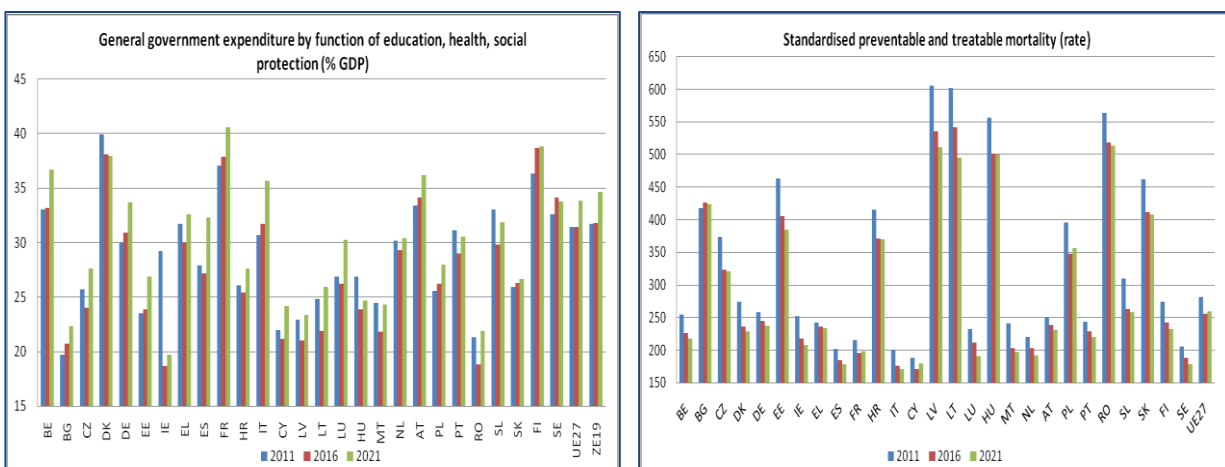
Figure 7 - The situation of general public expenditure on education, health and social protection and standardized preventable and treatable mortality at the level of the EU27 countries in the years 2011, 2016 and 2021

Source: Eurostat, author processing

Also related to health and education are the indicators regarding the number of healthy years in life, but also the situation of children younger than 3 years old in formal care programs, at the European level (see Figure 8). Thus, the number of healthy years and life places in the top three countries, for the entire period of analysis in countries such as: Malta, Sweden and Ireland, while the countries that are at the lowest levels are: Latvia, Slovakia and Estonia. In 2021, the situation of the three countries with the worst results in terms of healthy life years (Latvia, Slovakia and Estonia) is maintained, and the countries with the highest values of the indicator are Sweden, Malta and Italy.
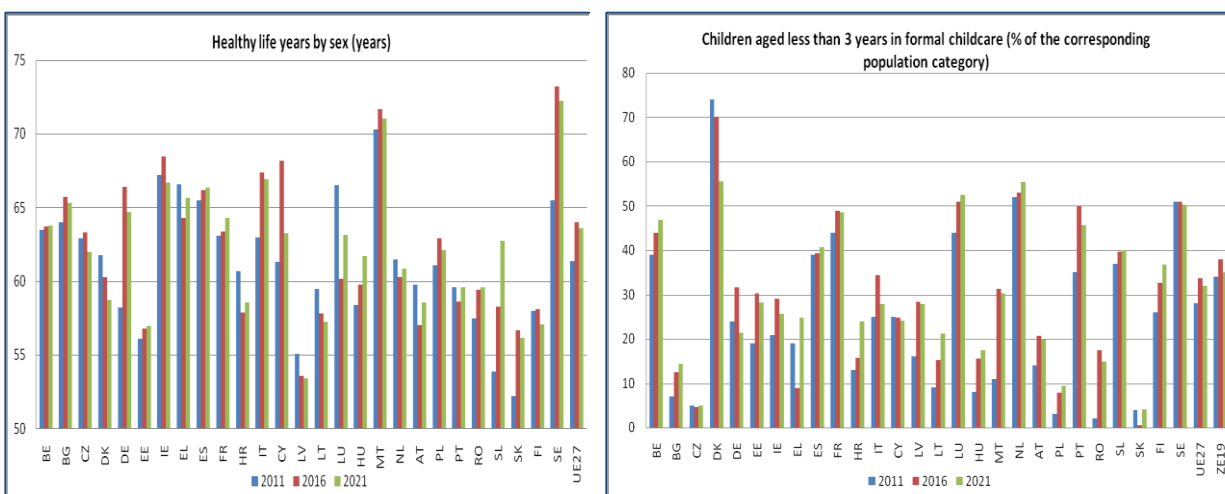
Figure 8 - Status of healthy life years and children under 3 years of age in formal care programs across EU27 countries in 2011, 2016 and 2021
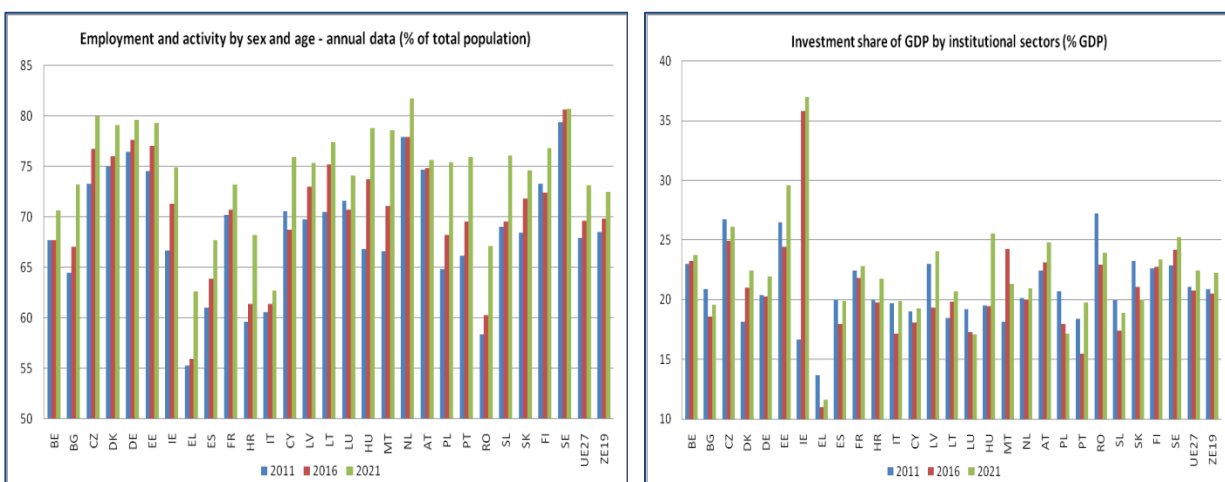
Source: Eurostat, author processing

With regard to children enrolled in formal care programs as a share of the population sample of the same type (children), we note that the COVID-19 pandemic has put an obvious negative emphasis, also observable at the level of the EU27 and EE19, by the slight reduction of the indicator in the last period. Over the entire period of analysis, 2011-2021, we note that Denmark,

the Netherlands and Sweden occupy the leading places, while countries such as Slovakia, the Czech Republic and Poland are in the last places in the ranking of the performance of the indicator.

If we analyse the employment rate and the share of public investments in GDP, by institutional sectors (Figure 9), we can see that the indicators have some correspondence, public investments being generally found, at the level of society, in a higher level of employment.

For example, over the entire period of analysis, the lowest employment rates are noted in the countries: Greece, Romania and Italy, while the countries with very high employment rates are: Sweden, the Netherlands and Germany. Regarding the share of investments in GDP, by institutional sectors, for the entire period of analysis, the last places in the ranking are: Greece, Portugal and Cyprus, while the most significant investments, as a share of GDP, are made by: Ireland, Estonia and Czech Republic.


Figure 9 - The situation of the employment rate and the share of investments in GDP by institutional sectors at the level of EU27 countries in 2011, 2016 and 2021

Source: Eurostat, author processing

The budget deficit can influence in the short term the situation of investments, budget expenditures, investment directions, but it can also put pressure on the subsequent rethinking of the budget, expanding or reducing the area of social investments in the near future. Thus, Figure 10 shows, on the one hand, the situation of the budget deficit, and on the other, the situation of current taxes on income and wealth, considered important for the well-being of the population.

Regarding the budget deficit and surplus in EU27, during the entire period of analysis, countries such as: Luxembourg, Denmark and Germany allowed, through the budget surplus (for certain periods) but also very modest budget deficits, manoeuvring gates for more substantial public investments in society but also safety nets for the near future. Others, such as Spain, Greece and France, throughout the analysis period, raised the stakes of the importance of external borrowing and/or taxation to achieve budget balances. The year 2021 ranks Denmark, Luxembourg and Sweden among the best performers regarding the budget balance, while the most pronounced deficits are noted in the case of the countries: Malta, Greece and Latvia.
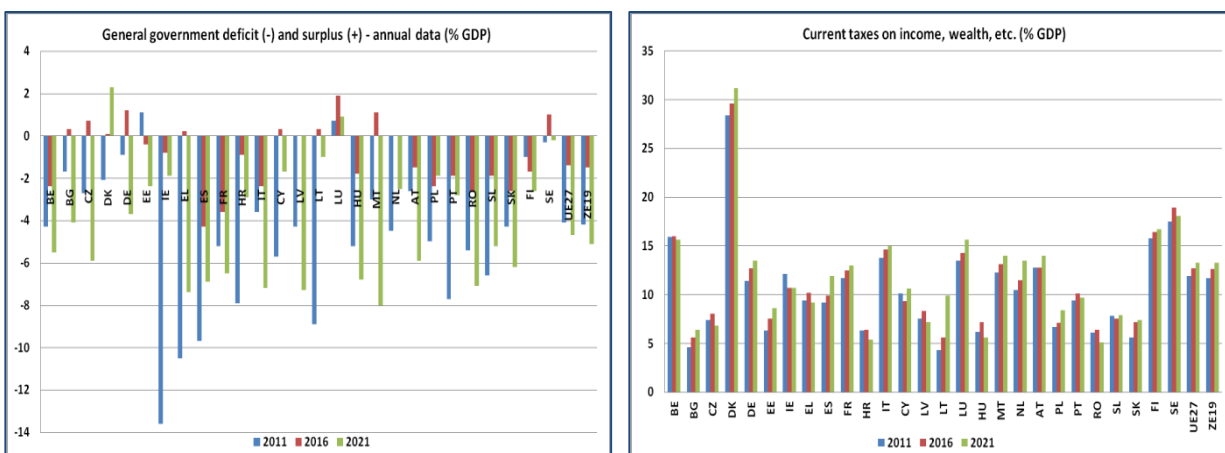
Figure 10 - The situation of the public deficit or surplus and current taxes on income and wealth at the level of EU27 countries in 2011, 2016 and 2021

Source: Eurostat, author processing

Considering current taxes on income and wealth, as a share of GDP, we note that, over the entire period of analysis, 2011-2021, the highest taxes were recorded in countries such as: Denmark (30.3% of GDP), Sweden (18.1% of GDP), and Finland (16.2% of GDP), and the lowest in Bulgaria (5.5% of GDP), Romania (5.7% of GDP), and Croatia (6.2 % of GDP). At the level of 2021, the top of the countries with the highest taxes on income and wealth remains unchanged, while the first three countries with the lowest taxes on income and wealth are occupied by Romania, Croatia and Hungary.

Conclusions

Globally, the post-pandemic economic recovery appears to be stalling, with employment still unable to return to pre-COVID-19 levels. At the same time, the pandemic affected the important geographical regions of the world as well as the economic sectors in different ways, the sectors with seasonal, temporary, volatile activity or with high exposure to the need for human contact being mainly exposed (e.g., the field of hospitality, tourism and transport). Equally, some of the decent labour gains achieved before the pandemic have been significantly affected, and pre-existing labour shortages are dampening the prospects for a sustainable recovery in many regions, with the world's low- and middle-income countries particularly affected. In these areas, working conditions have deteriorated and social inequality has increased. According to the World Inequality report 2022, inequality is a political choice, not an inevitability, and that wealth and income inequalities within countries have narrowed for most of the 20th century, but the bottom 50% share of income has always been very low, suggesting the need to redistribute wealth to invest in the future, especially in education, health and ecological transition.

Based on the resilience reports of the European Commission, considering the importance of the link between the resilience indicators of capacities and vulnerabilities, the article aims to demonstrate, exclusively based on Eurostat data, the link between a series of indicators of the socio-economic field at the EU27 level, seen as indicators of vulnerabilities and capabilities. The selected indicators include 10 indicators of vulnerabilities and 10 capabilities, and the analysis period is 2011-2021.

In terms of vulnerabilities, during the period of analysis, 2011-2021, the flank of the eastern and southern countries of the EU27, and especially Greece, experienced considerable difficulties

regarding indicators such as: poverty risk rate, income inequality indicator, self-reported unmet needs indicator on the medical examination, the employment gap between men and women, the indicator on young people who do not have a job, nor follow an education and training program, long-term unemployment and the evolution of the public debt.

At the same time, Nordic and some central European countries performed well in these indicators. Equally, with regard to employment in resource-intensive fields, highly industrialized countries (e.g., Germany, Italy, Luxembourg, France, etc.) are much more exposed to possible dangers than countries with a lower level of industrialization, such as the countries of the south-eastern flank of the EU. A similar situation occurs in areas with a high risk of automation. Thus, countries such as: Germany and Italy, and to a lesser extent, France, Poland and Spain may be affected by the transition to an economy with an important component in automation, and the energy crisis may hit hard in countries with massive employment in these fields (energy intensive and subject to the risk of automation).

In terms of capabilities, the situation remains somewhat similar to vulnerabilities, with the countries of the south-eastern flank performing relatively poorly compared to the northern or western continental countries. Thus, indicators such as: the impact of social transfers on poverty reduction, the saving rate of households, the situation of public expenditure on functions such as education, health and social protection, the situation of standardized preventable and treatable mortality, the indicator of children enrolled in formal care programs as a share in the number of children, employment rates, the share of investments in GDP, by institutional sectors, the budget balance, but also the situation of current taxes on income and wealth demonstrate the precariousness of some institutional capacities of southern and eastern European countries.

Thus, we observe that countries that have a fiscal regime based on a higher level of taxation and a more rigorous administration of budget deficits and public debt, equally invest more in the economic, social, educational and medical well-being of the population, in while many countries, especially in the South-East, which consider it necessary to maintain low levels of state intervention in the economy, through generally low taxes, weak budgetary rigor and expansive public debt, equally show insufficient interest in offering appropriate social, medical or educational services to the population.

Future Directions

Considering the natural limitations of the study (a limited period, a certain region of the world, a simplified empirical analysis, etc.) there is the opportunity to continue it through extensive econometric, theoretical and empirical studies.

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