



The Social Protection Committee

2015 SPPM THEMATIC REVIEWS

Income inequalities in the European Union

This thematic review was structured along three main directions: i) trends and drivers; ii) policy objectives, and iii) policy measures. All presentations highlighted the importance of equality of opportunities (referring prominently to the role of education, healthcare and childcare services) as a way to reduce the need for efforts via redistribution systems. The main policy conclusions of this thematic review reflect the fact that investment in human capital across the life-cycle is essential for addressing income inequalities and for promoting equality of opportunities:

- Human capital investment must begin in early childhood and continue across the life-cycle. It requires improving access to **quality early childhood education and care (ECEC)**, particularly for children from deprived background. These interventions are important for breaking the intergenerational transmission of poverty and social exclusion as well as for significantly increasing the employment rates of women.
- Reducing early school leaving and ensuring equity in **education and skills formation** across the lifecycle, including improved access to lifelong learning, training and active labour market policies, also for the low and medium skilled, would contribute to equality of opportunities. In particular, upskilling of the workforce represents a powerful instrument at the disposal of governments to counter rising inequality, contributing to both reducing wage dispersion and increasing employment rates.
- Member States should ensure access for all to **quality healthcare**, including preventative care.
- **Equal opportunities for women and anti-discrimination** policies also play an essential role in tackling inequalities. Well-designed **policies supporting households with children** would also contribute to reducing child poverty and enhancing equality of opportunities.
- **Social transfers - both in cash and in-kind** - play an important role in **mitigating income inequalities**. Social protection systems should be modernised to optimise their effectiveness and efficiency. They need to provide a combination of well-designed adequate **income support** (unemployment benefits, minimum income, child and family benefits, housing benefits, etc.), quality **enabling services** (childcare, transport, healthcare, housing, debt counselling) and **activation measures**.
- The provision of **in-kind benefits** such as healthcare, education, housing support and care services, can also help to reduce inequalities by improving the purchasing power of low income households (and in the case of childcare services, also supporting parents in increasing working hours or entering the labour market). Measures to ensure better benefit/service coverage and take-up can also be useful to ensure that eligible people actually access support to improve their living conditions.
- Income inequalities can also be addressed through tackling the **drivers of market inequalities**. A key priority should be getting **people into quality jobs**. This requires an approach where activation goes hand in hand with integrated, high-quality social services. At the same time, social protection policies need to support that people get equipped with the right skills to help them enter and advance in the labour market.

- More **inclusive labour markets** and promoting employment, particularly for those further away from the labour market (such as the long-term unemployed, young people, older workers, people with disabilities, people with a migrant background, low-skilled, etc.), are needed to ensure that all EU citizens live up to their full potential.
- **In-work poverty and labour market segmentation** need to be addressed.
- **Measures promoting the participation of women in the labour market** and removing the barriers to female employment and career progression, including through antidiscrimination policies and measures supporting reconciliation of work and family life, would also contribute to reducing the gender employment and pay gap.
- Policy makers can also promote a fairer distribution of the benefits from economic growth through **mainstreaming equity concerns** and considering the distributional impact of different policy options in all relevant areas, including through the use of social impact assessments.