DISCLAIMER

The views expressed hereafter are the presenter's alone and do not necessarily correspond to those of the European Commission and its services.
MACROECONOMIC CONTEXT AND OUTLOOK

• The broad picture
  > tentative recovery since Q2.13 – heterogeneity
  > continued external deleveraging

• Real growth of 1.0% (2013) and 2.3% (2014) expected
  > important downside risks, incl. subdued internal demand

• Labour markets
  > stabilisation of employment 6% below pre-crisis
  > unemployment around 10.5%, esp. youth & low-skilled
WHAT IS SHARED PROSPERITY?

• WB shared prosperity indicator: B40 income growth
  – relative to overall income growth, combines absolute growth and equity
  – 'Rawlsian' inequality measure
• Data: SILC up to 2012 release
• EU measures
  – at risk of poverty rate 17% (EU27, 2011) – 11-23% in EU11
  – serious material deprivation: might also depend on net wealth
  – AROPE: 25% (EU27, 2012) – but, heterogeneity
  – B40 cutoff point: 85-91% of median income
• Poverty or equity? Need to see context
  – income growth distribution: very useful
### EU Measures of Poverty and Social Exclusion

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WHO ARE THOSE IN FOCUS?

• B40%: 'the poor' + 'lower middle class'
• B40 households: less work in quantity and quality
  – more dependent elderly, esp. in 2nd quintile
  – lower educational attainment
  – lower employment rates
  – lower job security, lower skill content
  – esp. relevant: agricultural employment
THOSE IN FOCUS: FULL PICTURE?

• Income vs. welfare
  – non-monetary components of welfare: e.g., health status
  – utility and choice, cf. elderly in Q2
  – role of wealth

• Sub-populations
  – women?
  – children?

• Multivariate analysis

• In- and outflows
HOW HAS PROSPERITY BEEN SHARED?

• Findings:
  – shared prosperity except LV, LT, SK
  – 2008ff: falling HH incomes except SK
  – country heterogeneity in both sub-periods

• Sources of poverty reduction 2006-10: labour earnings, social insurance
  – employment of adults contributing little
  – taxes increasing the poverty headcount
  – ≠ B40!

• Outlook: shared prosperity will be more difficult
HOW HAS PROSPERITY BEEN SHARED?

2008-2012: AROPE rates
SHARED PROSPERITY IN CEE: WHAT NEXT?

• Growth relaunch
  – promote competitiveness, improve business environment, incentivise investment and innovation
  – public investment, also in education
  – better availability of credit, market entry/exit
  – pro-entrepreneurial attitudes

• Labour market, taxation, social policy
  – improve labour force participation, also by tax-benefit incentives
  – remove barriers to employment
  – more progressive taxation

• Improve people's capabilities
A laudable agenda
  – but will be difficult: low growth, external risks, deleveraging
  – beware of hysteresis effects of low employment

Obviously key: enhance the work intensity of the poor
  – apparently, no successes up to 2010; what are reasons?
  – how about wage effects?

Difficult trade-offs
  – resource needs for upskilling – no immediate returns
  – the elderly: labour supply measures against demand bottlenecks?

Difficult implementation
  – persistence of social fabric and attitudes
SHARED PROSPERITY: SOME QUESTIONS

• More on the role of endowments, returns, policies
• Was pre-crisis shared prosperity sustainable?
• Role of assets for households' ability to cope with shocks, and income mobility
• Consideration of institutions
SHARE PROSPERITY: SOME UNEXPLORED RESERVES

Scope for enhancing both efficiency and equity...

- Improve the quality of public administration
- Combat tax evasion: base broadening; progressivity
- Improve the fairness of access to returns