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Committee on Social Affairs, Health and Sustainable Development

Socio-economic inequalities in Europe: time to restore social trust by strengthening social rights

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Report¹

A. Draft resolution²

1. Europe's prosperity has been seemingly growing for decades but disparities in income, wealth, educational achievement, health status, nutrition, living conditions, occupations, social identity and participation in society have kept widening between and within countries. These inequalities not only negatively affect individuals and communities, but also restrain overall economic development, undermine social justice, and hurt the functioning of our society. Entrenched structural inequalities magnified during the global financial crisis of 2008-2009 and the Covid-19 pandemic, leading to deeper poverty, the erosion of social rights, reduced social mobility and greater social polarisation in society. Across Europe, widening inequalities made economies less robust and less resilient to external shocks, while the social resentments increased the risk of social unrest and political instability.

2. The Parliamentary Assembly notes that the prevailing economic development models will always entail a certain degree of socio-economic inequalities, calling to revisit the structural root causes of inequalities. However, this is no reason for States to dodge their responsibilities to guarantee socio-economic rights for all by using tools from a wide set of economic policies and redistribution mechanisms to narrow inequalities and especially to better protect the most disadvantaged and the most vulnerable. As pointed out in Resolution 2384 (2021) on "Overcoming the socio-economic crisis sparked by the Covid-19 pandemic", the budgetary austerity measures of the last decade only weakened social systems, thus amplifying inequalities, with dramatic effects on the neediest population. Instead, a major shift in policy making is needed to pursue genuinely inclusive and sustainable growth: States must invest in rebuilding the economy while strengthening their social systems. The crises of the past decades have shown that equality and sustainable growth are two sides of the same coin.

3. Reducing inequality within and among countries is one of the Sustainable Development Goals (SDGs). Despite some positive developments in a few countries before the Covid-19 pandemic, inequalities have since worsened again, unleashing a human development crisis as global investment levels and overseas development aid flows shrank dramatically in 2020. The Assembly underlines the need for and importance of collective action in favour of the poorest countries and the most vulnerable population groups (including older persons, children, persons with disabilities, women, migrants and refugees, and precarious workers).

4. Rising inequalities hit especially hard the vulnerable and marginalised groups, with the biggest setbacks concerning older people and persons with disabilities. Moreover, inequalities and poverty drives child labour and child marriage, a persistent problem worldwide though to a differing degree across countries. European States have a moral duty to address these scourges more effectively both nationally and by assisting other countries concerned in eliminating child labour, child exploitation and child marriage, with an additional sense of urgency due to the Covid-19 crisis.

5. The Assembly is particularly concerned with the slow-down in social mobility and extensive inter-generational transmission of inequalities which hamper children's well-being and development prospects and threaten their rights. Socio-economic circumstances in early stages of life play a critical role in determining the socio-economic and health status of individuals later in life, with parent's education and wealth having a

¹ Reference to Committee: Reference no. 4480 of 27 January 2020.

² Draft resolution adopted by the Committee with a large majority on 9 September 2021.

significant impact. The Assembly highlights the need for more progress on ensuring universal access to endowments, based on guaranteed basic financial resources but most importantly with a focus on educational equality and better access to the health and social protection services, as well as adequate housing in order to give children from less privileged backgrounds the same opportunities in life as those from wealthier families. It welcomes the European Child Guarantee initiative under the European Pillar of Social Rights of the European Union and considers that this initiative should be promoted across all Europe.

6. The Assembly deplores socio-economic inequalities' significant impact on the health of individuals, which is starting to create a health-divide in society. The growing prevalence of chronic and long-term diseases in Europe, most notably and fastest among socio-economically deprived populations, especially women, has clear links to inequalities in educational status. In addition to the physical health impacts, there are also significant mental health issues related to inequality and employment status. This combination of physical and mental health impacts takes a deadly toll on European society by reducing the average life expectancy, in particular as regards healthy life expectancy.

7. The Assembly concurs with the Council of Europe Development Bank (CEB) in viewing housing inequalities as both a symptom and a cause of existing income inequalities. Given that poor households often live in substandard homes and in deprived neighbourhoods, they face greater difficulties in accessing certain public services such as basic healthcare and quality education, as well as better remunerated jobs. National housing policies should be rethought towards providing more equitable options for enjoying one's right to housing of an adequate quality at an accessible price, as provided for by the European Social Charter (ESC, ETS No. 35 and 163).

8. During the Covid-19 pandemic, social inequalities have persisted across age groups, gender, geographical areas and income clusters, with single-parent families (mostly headed by women) being at the highest risk ever of poverty and social exclusion. Low-income households and ethnic minorities were also more likely to experience inadequate living conditions with repercussions on their health status, life expectancy and their socio-economic status. The Assembly notes the expert insight which concludes that a high level of social capital in the neighbourhood and social networks within communities provide essential mutual support to disadvantaged households and should be encouraged by the local authorities.

9. Against the background of the persisting gender pay and pension gap across Europe, the Assembly reiterates the right to equal opportunities and equal treatment in matters of employment and occupation without discrimination on the grounds of sex proclaimed by the ESC. It points to the conclusions of the European Committee of Social Rights on State-parties' implementation of the right to equal pay and to equal opportunities in the workplace, which show a massive violation of this right and urge additional legislative steps to better protect this right and prevent discriminatory practices in the labour market. The Assembly welcomes the adoption on 17 March 2021 by the Committee of Ministers of the Council of Europe of a declaration on equal pay and opportunities for women and men, aimed at tackling existing inequalities in employment.

10. Recalling the member States' duties to adequately protect socio-economic rights set out in the European Social Charter and with a view to tackling structural socio-economic inequalities more effectively, the Assembly urges member States:

10.1. to compile comprehensive datasets using information from national accounts, surveys and tax administration in order to allow for effective analysis and stock-taking of the extent of socio-economic inequalities;

10.2. to carry out an in-depth assessment of macroeconomic factors, technological and regulatory changes, domestic labour laws and macroeconomic financing requirements and choices that may have contributed to worsening socio-economic inequalities and the effective implementation of social rights at national level;

10.3. to seek legislative and regulatory changes aimed at facilitating their population's access to quality public services, adequate housing and stable employment;

10.4. to mainstream social objectives in their policy making by systematically screening policy changes for their impact on social cohesion and carrying out comprehensive human rights impact assessments of economic policies, in line with the UN Guiding Principles on Human Rights Impact Assessments of Economic Reform;

10.5. to revisit their budgetary policies in a more socially egalitarian direction, so that basic needs would be universally covered, and upfront equal opportunities would be spread fairly across society by:

- 10.5.1. guaranteeing universal, free and equal public provision of basic education, health and social protection services;
 - 10.5.2. increasing the share of public spending on vocational training, higher education and life-long education programmes;
 - 10.5.3. evaluating alternative policies of basic income or basic wealth endowment programmes (including options to access adequate housing) that would help ensure minimal financial resources for decent living;
 - 10.5.4. considering regulatory caps on pricing for the use of privatised basic infrastructure and services to remedy immediate hardships, while also revisiting the role of public ownership in provision of basic services;
- 10.6. to review their fiscal policies so as to ensure fair and equal spread of economic and social opportunities through redistribution channels, notably by:
- 10.6.1. closing loopholes in current tax codes, improving tax compliance and reducing tax avoidance both nationally and through tax havens;
 - 10.6.2. eliminating or scaling back tax deductions or tax benefit schemes tending to serve high earners disproportionately;
 - 10.6.3. reassessing the possible role of taxes on all forms of property and wealth with a view to consolidating households' and children's material well-being;
 - 10.6.4. guaranteeing that the proportion of direct and indirect taxation in total revenues is optimised to eliminate socio-economic inequalities;
- 10.7. consider systemic changes to labour market policies, notably by:
- 10.7.1. strengthening the bargaining power of workers through trade unions and enhancing communication between social partners;
 - 10.7.2. revisiting minimum wage policies and collective bargaining frameworks that will guarantee a decent living wage and social protection, as well as stable and quality jobs for all;
- 10.8. to take stronger legislative action to eliminate the gender pay and pension gap, as well as discriminatory practices in the labour market by:
- 10.8.1. ensuring access to effective remedies for victims of wage discrimination, as well as discrimination on any other grounds;
 - 10.8.2. guaranteeing wage transparency and enabling wage comparisons;
 - 10.8.3. maintaining effective equality bodies and related institutions with enhanced control functions in order to ensure equal pay in practice;
 - 10.8.4. ensuring more flexible quality employment opportunities with decent pay and training perspectives for vulnerable population groups;
 - 10.8.5. guaranteeing effective access to affordable and quality childcare services for working parents;
 - 10.8.6. enhancing the protection of workers with long-term and chronic illness, and/or disabilities in line with the Assembly's Resolution 2373 (2021) on "Discrimination against persons dealing with chronic and long-term illnesses";
- 10.9. to provide for the setting up of personal training accounts and life-long learning opportunities to enable continuous upgrading of professional competences, acquisition of new skills, and

requalification or transition to different types of jobs due to artificial intelligence, digital/platform economy needs and other technological developments;

10.10. to adapt and strengthen social protection coverage for non-standard and new forms of employment;

10.11. to improve incentive structures through competition policies, public procurement rules and regulations with the goal of reducing rewards for non-productive and rent-seeking activities;

10.12. to strengthen regulatory policy frameworks on corporate social responsibility so that businesses and financial markets align more closely with SDGs and human rights as highlighted in the Assembly's Resolution 2311 (2019) on "Human rights and business – what follow-up to Committee of Ministers Recommendation CM/Rec(2016)3?";

10.13. to use the CEB to co-finance priority social projects, in particular with regard to improving the provision of health services more equitably across national territory, and reducing the rural versus urban divide;

10.14. to give local authorities enhanced financial means to support the development of social capital, solidarity schemes and networking, in particular in more disadvantaged and rural areas;

10.15. to enhance collective solidarity mechanisms, co-ordination of public investment and aid flows targeted at the implementation of SDGs, both at national and international level;

10.16. to initiate international coordination to agree on;

10.16.1. a binding set of international minimum labour rights to be enshrined in global trade and investment rules;

10.16.2. transparency rules and public scrutiny of public interest for internationally financed public projects, including through private-public partnerships;

10.17. to enhance international efforts to restructure the global governance framework with the aim of overcoming the fragmented landscape of international law that drives a wedge between economic policies and human rights, and to increase international coordination/cooperation between human rights agencies and economic policy institutions;

10.18. to increase financial resources available for protecting public interest by ensuring full cooperation with the Group of States against Corruption (GRECO) and the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), aimed at ending corruption;

10.19. to guarantee sufficient allocation of economic and financial resources to ensure proper social protection and sufficient provision of public services, and protection of economic and social rights enshrined in national and international legal documents.

B. Draft recommendation³

1. The Parliamentary Assembly refers to its Resolution ... (2021) on "Socio-economic inequalities in Europe: time to restore social trust by strengthening social rights" and underscores the role of States in upholding the implementation of benchmarks for social rights enshrined in the European Social Charter (ESC, ETS No. 035 and 163) by all social partners. It deplores the gap between the rights protected by the ESC and the socio-economic policies pursued at national level, which is reflected in the annual conclusions and statements of the European Committee of Social Rights (ECSR).

2. The Assembly supports the view of the ECSR that the effective implementation of the ESC requires both legal action and practical measures by States so as to allocate adequate resources to underpin the rights recognised in the Charter and to seek "to achieve the objectives of the Charter within a reasonable time, with measurable progress and to an extent consistent with the maximum use of available resources". The Assembly asks the Committee of Ministers to remind all member States of these obligations, be they party or not to the

³ Draft recommendation adopted unanimously by the Committee on 9 September 2021.

ESC, with a view to supporting human development and more effectively narrowing socio-economic inequalities.

3. The Assembly supports the proposals put forward by the Secretary General of Council of Europe to reform the implementation of the ESC through elevating political support and commitment of member States to developing a level playing field for social rights across Europe and improving capacity of the Charter's organs to respond effectively to the member States' need for feedback and guidance. The Assembly also supports the proposal for the continued promotion of the ratification of the revised European Social Charter by all member States, and reiterates its own recommendations contained in paragraph 3 of Recommendation 2205 (2021) on "Overcoming the socio-economic crisis sparked by the Covid-19 pandemic". It moreover recommends to the Committee of Ministers to ask the ECSR to study the feasibility of adding new clauses to the ESC on the social protection of workers in non-standard forms of work.

4. In this context, the Assembly recalls the decisions of the 131st Session of the Committee of Ministers on 21 May 2021, notably as regards co-operation between the Council of Europe and the European Union, whereby the EU was encouraged to participate in and accede to the Council of Europe instruments "as a way of achieving coherence and complementarity and promoting synergies". The latter is particularly important for the more effective implementation of social rights in Europe and for stronger action to narrow socio-economic inequalities. The Assembly therefore asks the Committee of Ministers to pursue efforts to promote the EU's accession to the revised European Social Charter and thus seek greater complementarity between the ESC system and the European Pillar of Social Rights. It also asks the Committee of Ministers to support the wider application of the European Child Guarantee initiative, i.e. across non-EU member States, including through joint co-operation projects.

C. Explanatory memorandum by Ms Selin Sayek Böke, rapporteur

1. Introduction: the need for a stronger public policy intervention based on evidence of socio-economic inequalities

1. Concerned about sluggish progress in the implementation of social rights and social protest rippling across some European countries, the Committee on Social Affairs, Health and Sustainable Development tabled a motion for a resolution on the "Socio-economic inequalities in Europe: time to restore social trust by strengthening social rights" (Doc. 14985)⁴ in October 2019. In January 2020, I was appointed rapporteur for this report and was also elected as Chairperson of the Sub-Committee on the European Social Charter. This double capacity has driven my research on the subject of inequalities, as well as part of the fact-finding and policy discussion with experts during the hearing on "Overcoming the socio-economic crisis sparked by the Covid-19 pandemic" held by the Sub-Committee on the European Social Charter on 7 October 2020.

2. Indeed, as the President of this Assembly stressed during the hearing last October, no economic paradise can be built on a social slum: a major shift in policy making is needed to embrace genuinely inclusive and sustainable growth. We need to ensure that the disruption leads to change that matches societal expectations, social rights and economic needs. Whilst the financial crisis of 2008-9 thrust socio-economic inequalities into the limelight against the background of austerity measures, the recent coronavirus pandemic has laid bare for all to see that our society is very far from having dealt with the inequalities that keep widening and the socio-economic vulnerabilities that keep spreading.

3. Evidence of a yawning gap between the wealthiest 1% of the population and the rest of society has been accumulating fast.⁵ Despite a decrease in extreme poverty in some parts of the world prior to the pandemic, socio-economic inequalities have been rising worldwide for several decades, although trends differ in scope and speed of change both within and between countries even at similar levels of development.⁶ Evidence suggests that macroeconomic policy choices – ranging from choosing between the role played by the State versus the private sector in provision of essential services, nationalisation and privatisation, pension

⁴ Reference (for report) No. 4480 of 27 January 2020.

⁵ For instance, Oxfam International signals that "the world's richest 1% have more than twice as much wealth as 6.9 billion people" – see <https://www.oxfam.org/en/5-shocking-facts-about-extreme-global-inequality-and-how-even-it>.

⁶ [World Social Report 2020: inequality in a rapidly changing world](#), the Department of Economic and Social Affairs of the United Nations (see www.un.org/sites/World-Social-Report-2020-FullReport), and the [World Inequality Report 2018](#) by the World Inequality Lab, a group of about twenty research fellows, research assistants and project officers in coordination with the international network of over 100 researchers covering nearly 70 countries that contribute to the database (see <https://wir2018.wid.world/>).

system reforms or policies on taxation, social transfers and capital accumulation to strategies on public debt and investment – are all crucial, as is institutional capacity to implement those policies.

4. Moreover, there are several dimensions that show significant intersectionality cutting across inequalities in income and wealth, access to health care, housing, education and essential public services; as these combine with other factors such as race, gender, ethnicity, migrant status and the socio-economic situation of parents for children, unequal opportunities worsen prospects for a life in dignity for all generations.⁷ As the Council of Europe Development Bank (CEB) notes, although “the European continent is by far the richest, and on the whole, most equal continent in the world”, it “has seen inequality gradually but steadily increase since 2000”. The regions of southern and central-eastern Europe are the most unequal in Europe.⁸

5. Inequalities not only affect individuals and communities, but also restrain overall economic development and hurt the functioning of our society. When inequalities rise, indebtedness increases while investment levels deteriorate, country performance is negatively affected, innovation is hindered, and sustainable development slows down. In fact, inequality and unsustainable growth are two sides of the same coin.⁹

6. High levels of inequality also negatively affect enjoyment of social rights and social mobility. Hence, conditions at birth or the parental social position of a person determine the current and future well-being of individuals.¹⁰ Moreover, inequalities undermine social confidence and diminish trust in societies, which in turn lowers the support for democratic institutions. With increasing inequality, economies become less resilient to external shocks while the social resentments could increase social unrest and spur political instabilities.¹¹ Some even trace the roots of populism and most political unrests around the globe back to one single cause – soaring inequality, that is, the rage at “being left behind”.¹² Recent evidence suggests that the rise in populist politics and discontent with democracy is especially concentrated among the middle-income groups, who feel left behind in accessing economic opportunities and anxiety due to the relative scarcity of quality and stable jobs. This points to the need for equality policies to focus on alleviating the economic and social anxieties of both middle- and low-income groups.¹³

7. Studies have shown that economic and social inequalities also have significant health impacts on individuals. The World Health Organisation’s (WHO) review of the social determinants of health, and the health-divide, reported that less well-off socio-economic groups are more inclined towards obesity.¹⁴ Unhealthy diets and socio-economic inequalities are linked. The prevalence of obesity is rising in Europe, most notably and fastest among socio-economically deprived populations, especially for women in those groups, with clear links to inequalities in educational status.¹⁵ Moreover, life expectancy is shorter for both adults and children in countries with higher inequality rates as these groups tend to suffer more from type-2 diabetes and related conditions such as ischaemic heart disease, strokes and other chronic diseases. Both obesity and chronic health conditions increase vulnerability to severe illness and death from Covid-19, helping to explain the higher mortality and morbidity rates amongst disadvantaged populations worldwide. In addition to the physical health impacts, there are also significant mental health issues related to inequality, as well as unemployment.

8. Whilst the trends in socio-economic inequalities show that these are widening, analysts diverge in their views on inequality. Some scholars argue that some inequality encourages people to take entrepreneurial risks and to work or study harder so as to climb up the social ladder. Others argue that high inequalities act like a “glass ceiling” and a constraint on social mobility, aggravating health and the quality of life despite one’s efforts.

⁷ OECD (2015), All on board: making inclusive growth happen, OECD publishing, Paris. DOI: <https://doi.org/10.1787/9789264218512-en>

⁸ “For instance, in 2014, on average, a person in the top 20% of the income distribution was likely to have 5 times more than someone in the bottom 20% (as opposed to 4.6 times in 2000).” See “An introduction to inequality in Europe. Tackling inequalities in Europe: the role of social investment” by the Council of Europe Development Bank (CEB), published in December 2017.

⁹ IMF Staff Discussion Note SDN/11/08 “Inequality and Unsustainable Growth: Two Sides of the Same Coin?” by Andrew G. Berg and Jonathan D. Ostry, www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf.

¹⁰ Social Europe, Volume Three, Social Europe Publishing, <https://www.socialeurope.eu/book/social-europe-volume-three>

¹¹ Divided we stand: why inequality keeps rising, OECD (2011), <https://www.oecd.org/els/soc/49499779.pdf>.

¹² Article “Most political unrest has one big root cause: soaring inequality” by Michael Massing, The Guardian, 24 January 2020, www.theguardian.com/commentisfree/2020/jan/24/most-political-unrest-has-one-big-root-cause-soaring-inequality

¹³ Dani Rodrik, “Tackling inequality from the Middle”, Project Syndicate, December 2019 (<https://www.project-syndicate.org/commentary/tackling-inequality-from-the-middle-by-dani-rodrik-2019-12>).

¹⁴ www.euro.who.int/en/publications/abstracts/review-of-social-determinants-and-the-health-divide-in-the-who-european-region-final-report

¹⁵ www.euro.who.int/data/assets/pdf_file/0003/247638/obesity-090514.pdf In the EU, 26% of obesity in men and 50% of obesity in women can be attributed to inequalities in educational status.

The fact is that many inequalities are passed on from parents to their children. There is no doubt that inequalities are currently too high in most, if not all, Council of Europe member States.

9. This report therefore seeks to cast a fresh look at the trends and impacts of various socio-economic inequalities on human and societal development against the backdrop of ongoing changes in socio-economic structures across Europe due to global challenges. It looks at factors and policies that can be deemed as contributing to inequalities and tries to determine which policy adjustments could help foster better opportunities for all. I believe that we have to revisit benchmarks established by the European Social Charter (ESC), as well as the goals pursued by the European Pillar of Social Rights, the European policy framework for health and well-being Europe 2020 by WHO¹⁶ and the OECD Better Life Initiative¹⁷ in the light of the global Sustainable Development Goals (SDGs).

2. Mapping socio-economic inequalities

10. Individuals' socio-economic status is broadly defined as one's access to resources and is usually measured by income, wealth, education and occupation, all bearing significant implications on nutrition, health and living conditions. As such, socio-economic inequalities refer to disparities in terms of multiple aspects of people's lives: income, wealth, educational achievement, health, nutrition, living conditions, occupational background, social identity and participation in society. They situate persons on the social ladder (social class) and determine their quality of life. Accordingly, those multiple inequalities can be measured for different aspects of one's life. For instance, the Gini index¹⁸ measures the extent of inequality in the income distribution and the Lorenz curve illustrates graphically the distribution of income or wealth inside countries. Health inequalities can be measured by the duration of life in 'good health' for persons belonging to different income groups in society; some would add to this the prevalence of chronic diseases and the general health status depending on access to healthcare. All these inequalities start early in one's life based on the socio-economic situation of parents as regards children. They negatively impact the enjoyment of social rights and social mobility, can manifest themselves in poor housing conditions and difficulties in accessing certain educational institutions or jobs, which can further sustain a vicious cycle affecting personal health and education outcomes among other factors.

11. There is a significant interaction between the multiple dimensions of socio-economic inequalities. In Europe, for example, low income-students seem to be gaining less from the education system and attaining much lower learning outcomes than richer students. As the Council of Europe Development Bank points out, disparities exist both between States as well as within States. The test results in Central-Eastern Europe are lowest for all income quartiles across Europe, reflecting inequities in multiple dimensions between States; whereas the largest disparities between rich and poor students are found within Western Europe, the rich and poor divide on the learning scores is lowest in Central-Eastern Europe. Economic shocks hurt the less educated more, making them more vulnerable.¹⁹ Part-time work (with reduced working time) and lower income of unskilled workers affect their children's education as the care and training children get in their first 5 years plays a determining role in whether they will find a good job and a good salary.²⁰ Rising income inequality seems to be particularly affecting those whose parents have low levels of education, whilst it has only little effect on people with at least a middle level of parental educational background.²¹

12. Indeed, circumstances in early stages of life play a critical role in determining the socio-economic status and health conditions of individuals, with parent's education and wealth having significant impact.²²

¹⁶ See <https://www.euro.who.int/en/about-us/regional-director/regional-directors-emeritus/dr-zsuzsanna-jakab,-2010-2019/health-2020-the-european-policy-for-health-and-well-being> for more information.

¹⁷ See "Better Life Initiative: Measuring Well-Being and Progress" webpage at <https://www.oecd.org/statistics/better-life-initiative.htm>.

¹⁸ Gini index ranges from 0 (perfect equality with shared prosperity) to 100 (extreme inequality). In 2020 worldwide, the worst income inequality was recorded for South Africa (62.73), followed by another five African countries and then a mix of Latin American and African countries; Turkey (43.61) has the worst index among the Council of Europe member States and is followed by Bulgaria (37.15) and Lithuania (36.98), the worst performing EU countries, while Azerbaijan (22.45) and Moldova (24.5) appear as best performing countries in Europe. See <https://www.statista.com/forecasts/1171540/gini-index-by-country>.

¹⁹ See <https://coebank.org/en/news-and-publications/ceb-publications/educational-inequality-in-europe/>.

²⁰ See https://english.elpais.com/elpais/2019/03/25/inenglish/1553511838_639423.html. See also the report currently under preparation in our Committee by Ms Hetto-Gaasch (Luxembourg, EPP/CD) on "Best interests of the child and policies to ensure a work-life balance".

²¹ See <https://www.oecd.org/newsroom/inequality-hurts-economic-growth.htm>.

²² In my ongoing work as rapporteur for the Committee on Equality and Non-discrimination on "Tackling discrimination based on social origins", we look further into the slowdown in upward social mobility and whether social origin plays out as yet another discriminatory factor.

During adolescence, not only is the family socio-economic status important for understanding inequalities in wellbeing, but also youth's own economy and peer status²³, which highlights the need for more progress on educational equality to give children from less privileged backgrounds the same chances as those from higher income families. Moreover, it appears that the social protection of these children is restricted. Indeed, in 2019, some 22.2% (about 18 million) EU children lived in households at risk of poverty or social exclusion, while some 60% of Roma children were subject to severe material deprivation and 80% were at risk of poverty or social exclusion.²⁴

13. Interventions that encourage the educational attainment of children from poorer families will reduce inequality in current and future generations. Studies find that children of better educated parents can access educational opportunities more extensively and perform better, demonstrating additional benefits from raising educational attainment. This also justifies investing in improving parenting capabilities and educational attainment of the most vulnerable and marginalised groups. The same studies stress the need for universal access to education as an instrument for enhancing social mobility. They also argue for stronger incentives for students in low-income households to enter university, vocational training and/or apprenticeships. At the same time, several economic forces, including automation, transition to green economy and the increasing focus on care services, continue to change the demand for skills. Ensuring a continual renewal of skills over the life cycle through reskilling and upskilling of the labour force will therefore be of high importance to avoid deepening inequalities.²⁵

14. In this matter, the right of children and young persons to social protection has been defined by Article 17 of the European Social Charter, by which member States commit themselves to ensure that "*children and young persons have the care, the assistance, the education and the training that they need, in particular by providing the establishment or maintenance of institutions and services sufficient and adequate for this purpose*". Furthermore, the Charter's Article 10 guarantees the right to vocational training, while Article 15 underlines the importance of access to education and vocational training for the independence and social integration of disabled people. The European Pillar of Social Rights contains Principle 11 "Childcare and support to children" which states that "Children from disadvantaged backgrounds have the right to specific measures to enhance equal opportunities". The European Child Guarantee aims to guide member States in providing better support to children in need in terms of early childhood care, education, healthy nutrition (notably through school meals), and adequate housing and healthcare.

15. Child labour, largely driven by inequalities and poverty, remains a persistent problem in the world today. According to a new report by the International Labour Organization (ILO) and UNICEF, 160 million children (63 million girls and 97 million boys) were in child labour globally at the beginning of 2020, accounting for almost 1 in 10 of all children worldwide (3.8 million of these children are in Europe and Northern America, 10.1 million of them are in the Northern Africa and Western Asia region)²⁶. 79 million children – nearly half of all those in child labour – were in hazardous work that directly endangers their health, safety and moral development, with millions more at risk due to the impacts of Covid-19. The Covid-19 crisis threatens to further erode global progress against child labour unless urgent mitigation measures are taken: a further 8.9 million children could be in child labour by the end of 2022 as a result of rising poverty driven by the pandemic. It is urgent to act to end child labour, in line with global, regional and national commitments and goals.

16. It is particularly disturbing that a lack of equal opportunities harshly affects children's rights worldwide and contributes to the exploitation of children through child labour. We should, in this context, recall the duties of our member States under the UN Convention on the Rights of the Child to respect the principle of the child's best interests. The European Convention on Human Rights (Article 4 prohibiting slavery and forced labour), the European Social Charter (Article 7, establishing the right of children and young persons to protection and fixing a minimum age of employment at 15 years of age; as well as Article 17 setting the right of children and young persons to social, legal and economic protection), the Lanzarote Convention (combating sexual exploitation of children) and the Convention on Action Against Trafficking in Human Beings are the key legal benchmarks of the Council of Europe that provide an essential framework for addressing the child exploitation problem effectively.²⁷

²³ See <https://link.springer.com/article/10.1007/s10964-016-0430-5>.

²⁴ Factsheet on the "European Child Guarantee", European Commission, 24 March 2021.

²⁵ Several publications of the ILO and the World Economic Forum point out the need for investment in skills through re- or up-skilling; see https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_792123.pdf among others for details.

²⁶ https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipecc/documents/publication/wcms_797515.pdf.

²⁷ See the statement issued on the occasion of the World Day Against Child Labour and the International Year 2021 for Elimination of Child Labour, published on 12 June 2021 on the PACE website.

17. Inequalities seem to hinder social mobility: for example, a Spanish person born into a low-income family would take 120 years to reach the average income because the social elevator is so slow or blocked most of the time.²⁸ These issues in social mobility seem to only have risen in the last decade: if in 2008, 52% of the bottom 40% stayed in one of the bottom income deciles over the next three years, in 2015 it was already 56%, as most European countries did not manage to improve the situation for the bottom 40% (except for Estonia, Iceland, Cyprus, Ireland, and the UK).²⁹ With the pandemic having set back social improvement, social mobility has become even more difficult. Limited social mobility leads to social exclusion in society, creating distrust towards democracy. Member States that are parties to the ESC have committed to overcoming inequalities hindering social mobility, as article 30 of the ESC underlines *the right to protection against social exclusion*.

18. Precarity is pervasive across both middle- and lower-income groups. There is now widespread agreement among economists that deindustrialisation, skill-biased technological change, the rules of globalisation, increased flexibility of labour markets and weakening of the welfare state have contributed to this extensive precarity and the squeezing of the middle class. These analyses point to the need to redesign social and economic policies with a focus of generating good and stable jobs, which is in line with the work-related rights enshrined in the ESC.

19. The Council of Europe Development Bank considers housing inequalities as both a symptom and a cause of existing income inequalities.³⁰ Indeed, most poor households cannot afford better homes and thus live in neighbourhoods that exacerbate inequalities. The high cost of housing is oftentimes an additional pressure on poor household's limited income. Having less choice, low-income persons often live in overcrowded homes with limited basic amenities and little floor space. As the poor often live in substandard homes and in deprived neighbourhoods, they face greater difficulties in accessing certain public services such as basic healthcare, and there is spatial segregation between income groups. Moreover, most European countries have moved away from directly providing housing to disadvantaged groups. Housing policies should be rethought, to provide more equitable options for enjoying one's right to housing of adequate quality at an accessible price, as provided for in article 31 of the ESC.³¹ Now, more than a year after the outset of the pandemic, while some people have been helped into more secure accommodation, others still bear the brunt of the spread of the virus.

20. In Europe, lower income groups are more likely to have long-standing health problems. The Council of Europe Development Bank found that 15.2% of the bottom 40% reported having bad health outcomes, but only 4.7% of those in the top 20%. On average, there was an 11% difference in negative self-reported health between the bottom 40% and top the 20% in every country.³² The impacts of inequalities on health do not seem to have been overcome, as, for example, since 2010 life expectancy, which is correlated to social class, has stalled in the UK, with inequalities in life expectancy increasing as of late : people in more deprived areas spend more of their (shorter) lives in ill-health than those in less deprived areas.³³ As the ESC states, *"everyone has the right to benefit from any measures enabling him to enjoy the highest possible standard of health attainable"* (Article 11).

21. In most European countries, the greater the socio-economic disadvantage, the higher the risk of suicide, especially for men.³⁴ During the Covid-19 pandemic, social inequalities have persisted across age groups, gender, geographical areas and income clusters, with single parent families being at the highest risk ever of poverty and social exclusion.³⁵ It seems that low-income households and ethnic minorities are more likely to experience inadequate living conditions, like poor housing conditions or a higher risk of crime in their neighbourhood with repercussions on health status and life expectancy. That being said, the OECD concludes that an important factor in such situations is the degree of social capital in the neighbourhood and that social

²⁸ See article "Spain's broken social elevator: how the crisis damaged upward mobility" on https://english.elpais.com/elpais/2019/03/25/inenglish/1553511838_639423.html and https://read.oecd-ilibrary.org/social-issues-migration-health/broken-elevator-how-to-promote-social-mobility_9789264301085-en.

²⁹ See https://coebank.org/media/documents/Part_1-Inequality-Introduction_lowres.pdf.

³⁰ See https://coebank.org/media/documents/Part_3-Inequality-Housing.pdf.

³¹ See https://coebank.org/media/documents/Part_3-Inequality-Housing.pdf. See also Resolution 2285 (2019) on "Sustainable urban development fostering social inclusion".

³² See https://coebank.org/media/documents/Part_1-Inequality-Introduction_lowres.pdf.

³³ See https://www.health.org.uk/publications/reports/the-marmot-review-10-years-on?gclid=Cj0KcQjwsLWDBhCmARIsAPSL3_3yEXXvf-IY6NivspQad6b9ubn3t_a0-k0vuXCH3jufFMIZ2ToyErlaAvM2EALw_wcB.

³⁴ See <https://www.cambridge.org/core/journals/the-british-journal-of-psychiatry/article/socioeconomic-inequalities-in-suicide-a-european-comparative-study/1F90C85EA20F41E4F24D18B0BE7F40FD>.

³⁵ <https://www.mdpi.com/1660-4601/18/3/1256/htm>.

networks within communities providing mutual support can encourage the diffusion of health information and healthy behavioural norms.³⁶

22. With the Covid-19 public health emergency, the ensuing socio-economic disruption has devastated millions of human lives and extreme poverty is back worldwide. Much of the progress towards implementation of the SDGs since 2015 has been undone since the onset of the pandemic: social safety nets, food systems, employment structures, and enterprises have been massively affected. The World Bank expects global extreme poverty to have risen in 2020 for the first time in over 20 years.³⁷ Across Europe, throughout the pandemic, poverty and inequality increased, with poorer workers suffering the greater wage loss as they tended to have a lower ability to keep working throughout lockdown. These inequalities seem to have increased more in Southern and Eastern Europe.³⁸ It seems important to find solutions against this problem, as article 30 of the ESC assures the right to protection against poverty.

23. As the OECD notes, women's global labour force participation rate remained constant over the last 20 years at around 50%, whereas a global gender pay gap of 27% persists.³⁹ For example, in the European Union in 2019, the gender pay gap stood at 14,1%⁴⁰, and there was a gender employment gap of 11,7%.⁴¹ Women are over-represented in low-paying sectors and spend more hours than men in unpaid work. They are less likely to become chief executive officers of top companies; and even in managerial positions large differences in hourly earnings persist. According to EIGE (European Institute for Gender Equality) research, "gender inequalities in [unpaid] caring responsibilities at home have a direct impact on women's opportunities in the job market" (notably, by pushing women into precarious jobs and part-time work), which contributes significantly to the gender pay gap.⁴²

24. Article 20 of the ESC proclaims the right to equal opportunities and equal treatment in matters of employment and occupation without discrimination on the grounds of sex. In 2019, the European Committee of Social Rights adopted 15 decisions⁴³ on State-parties' implementation of the right to equal pay, as well as the right to equal opportunities in the workplace.⁴⁴ It urged the States concerned to recognise the right to equal pay for work of equal value in their legislation, to ensure access to effective remedies for victims of wage discrimination, to ensure and guarantee wage transparency and enable wage comparisons, and to maintain effective equality bodies and related institutions in order to ensure equal pay in practice. Nearly all of these countries had been found to violate at least one of the aspects of the obligation to guarantee the right to equal pay and the right to equal opportunities in the workplace. Measures the member State had taken had led to some slow progress, but not yet fully preventing discriminatory practices in the labour market. On 17 March 2021, the Committee of Ministers of the Council of Europe adopted a declaration on equal pay and opportunities for women and men aimed at tackling existing inequalities in employment.⁴⁵

25. A strong welfare State both at national and local level is critical in closing the gender pay gap by providing universal and affordable social care facilities, including both childcare and elderly care, to improve employment opportunities for parents. Introducing laws designed to eliminate the gender pay gap and to require transparency of pay structures in the private sector also contributes positively to narrowing gender pay gap. The Covid-19 pandemic seems to affect the progress in closing the gender gap negatively: 70% of health workers on the frontlines against Covid-19 are women; they do up to 10 times the amount of unpaid care

³⁶ See https://read.oecd-ilibrary.org/social-issues-migration-health/inclusive-growth-and-health_93d52bcd-en.

³⁷ See <https://www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021>. See also the report currently in preparation in our Committee by Mr Pierre-Alain Fridez (Switzerland, SOC) on "Eradicating extreme child poverty in Europe: an international obligation and a moral duty".

³⁸ See <https://www.ox.ac.uk/news/2020-10-29-poverty-and-inequality-surge-across-europe-wake-covid-19>.

³⁹ See <https://www.oecd.org/gender/data/measuring-masculine-norms-to-better-understand-the-invisible-barriers-to-womens-economic-inclusion.htm>.

⁴⁰ Meaning that women earned on average 14,1% less than men.

⁴¹ See https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu_en.

⁴² See a factsheet on "Gender inequalities in care and pay in the EU" at <https://eige.europa.eu/publications/gender-inequalities-care-and-pay-eu>.

⁴³ Concerning Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Finland, France, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Slovenia and Sweden.

⁴⁴ See <https://www.coe.int/en/web/european-social-charter/-/the-decisions-on-the-merits-in-university-women-of-europe-uwe-v-belgium-bulgaria-croatia-cyprus-czech-republic-finland-france-greece-ireland-italy-the>.

⁴⁵ See <https://www.coe.int/en/web/genderequality/-/committee-of-ministers-declaration-on-equal-pay-and-opportunities-for-women-and-men>.

work⁴⁶ and have thus higher risks of economic insecurity. Female entrepreneurs seem to have experienced a bigger income loss than male entrepreneurs during the pandemic.⁴⁷

26. The European Anti-Poverty Network (EAPN) study⁴⁸ found that in half of the countries surveyed “gender inequality increased a lot (Austria, Belgium, Czechia, Germany, Italy, Poland, Portugal, Serbia, Slovakia, Slovenia and Spain)” and in about a third of countries “it increased a little (Finland, France, Greece, Hungary, Lithuania, the Netherlands, Norway and the United Kingdom)” due to the Covid-19 pandemic and measures taken by governments. Certain groups of women face intersectional inequality because of their migratory status, physical or mental disability, race, ethnicity, and social class. Women in Europe are at higher risk of poverty and exclusion, of contracting the virus as they make up most of the frontline workers, of staying in precarious jobs with low salaries and of staying full-time care givers. They were more affected than men by isolation and loneliness due to the pandemic and suffered more from gender-based violence under lockdown.

27. Reducing inequality within and among countries is one of the SDGs (SDG 10). The UN Department of Economic and Social Affairs notes that despite some positive developments in terms of lower income inequality for a number of countries before the Covid-19 pandemic, inequalities are worsening, in particular for the poorest countries and the most vulnerable population groups (older persons, children, persons with disabilities, women, migrants and refugees) as global investment levels and overseas development aid flows shrank dramatically in 2020.⁴⁹ According to the UN Development Programme, the pandemic has unleashed a human development crisis, underlining the need for and importance of collective action.⁵⁰ Although European countries seem to be among those ranking the highest in implementing SDGs⁵¹, they progress more slowly than other lower ranking states⁵², notably for vulnerable and marginalised groups, with the biggest setbacks concerning older people and persons with disabilities.⁵³

3. Why should we care about socio-economic inequalities?

28. As the OECD research shows, inequalities hurt economic growth while greater equality seems to help increase GDP per capita.⁵⁴ Thus, “inequality [concentration] at the bottom of the [income] distribution hampers growth” and “one key channel through which inequality negatively affects economic performance is through lowering investment opportunities (particularly in education) of the poorer segments of the population.”⁵⁵ The Council of Europe Development Bank’s analysis finds that income inequalities can affect the economic stability of countries due to shorter growth periods, a worse (un)employment situation, the congestion of redistribution channels and tax systems, as well as inefficient resource use, disincentives to investment and lower capacity in public debt management.

29. Multiple studies further suggest that inequalities weaken human development and social capital by reducing social mobility and educational performance, as well as breeding mistrust and exclusion, mental illness, obesity, violence and crime. Socio-economic inequalities are also known to influence democratic participation: the higher the educational level, the higher seems to be the probability of political engagement in both voting and even protesting.⁵⁶ Inequalities seem to reduce an individual’s sense of trust in others.⁵⁷ High inequality levels can also fuel social unrest, notably in the pandemic context⁵⁸, as the rising disparities in

⁴⁶ The European Institute for Gender Equality (EIGE) report on “Gender inequalities in care and consequences for the labour market” of 20 January 2021 shows that some 76% of the 49 million care workers in the EU countries are women. See <https://eige.europa.eu/publications/gender-inequalities-care-and-consequences-labour-market>.

⁴⁷ See <https://www.oecd.org/gender/data/covid-19-threatens-to-undo-progress-made-in-closing-the-gender-gap-in-entrepreneurship.htm>.

⁴⁸ “The impact of Covid-19 on people experiencing poverty and vulnerability – rebuilding Europe with social heart” by Dr Graciela Malgesini for EAPN, with the EU Inclusion Strategies Group (EUISG), July 2020, https://www.eapn.eu/wp-content/uploads/2020/07/EAPN-EAPN_REPORT_IMPACT_COVID19-4554.pdf.

⁴⁹ See <https://unstats.un.org/sdgs/report/2020/goal-10/>.

⁵⁰ “COVID-19 and Human Development: Assessing the Crisis, Envisioning the Recovery”, UNDP Human Development Report, 2020, <http://hdr.undp.org/en/hdp-covid>.

⁵¹ See here for the ranking: <https://dashboards.sdgindex.org/rankings>

⁵² Article: « European Countries Lead the World on Ending Extreme Poverty. But That May Change With COVID-19: SDG Report”, by James Hitchings-Hales and Sarah El Gharib, Global Citizen, July 2020, <https://www.globalcitizen.org/en/content/europe-sdgs-sustainable-development-report-2020/>.

⁵³ Survey: “Europe Snapshot : Stakeholder engagement around the SDGs during the COVID-19 Pandemic”, UN DESA, 2021, <https://sdgs.un.org/sites/default/files/2021-03/Europe%20Snapshot%20copy.pdf>.

⁵⁴ See <https://www.oecd.org/newsroom/inequality-hurts-economic-growth.htm#>.

⁵⁵ See https://read.oecd-ilibrary.org/social-issues-migration-health/trends-in-income-inequality-and-its-impact-on-economic-growth_5jxrjncwvx6j-en.

⁵⁶ See <https://pjp-eu.coe.int/en/web/coyote-magazine/socio-economic-inequalities>.

⁵⁷ See <https://www.imf.org/external/pubs/ft/wp/2016/wp16176.pdf>.

⁵⁸ See <https://blogs.imf.org/2020/12/11/when-inequality-is-high-pandemics-can-fuel-social-unrest/>.

income and access to basic public services due to Covid-19 could widen polarisation, erode trust in government and escalate both political and social tensions.⁵⁹

30. Moreover, inequalities seem to contribute to climate change and environmental degradation, as the most unequal affluent countries tend to have a greater environmental footprint via pollution than more equal affluent countries, for it seems that in economically unequal countries there is a real pressure to buy items to keep up with peers.⁶⁰ Narrowing socio-economic inequalities can not only support economic development and boost trust in democracy, but also serve as a very powerful tool for promoting more sustainable development.

4. Factors contributing to inequalities

31. Just as inequalities are multifaceted, so are factors that contribute to the rise of inequalities. Those factors include technological change, globalisation, macroeconomic policies and regulatory changes (in terms of liberalisation of financial services, labour laws, weaker trade unions, evolving redistribution mechanisms).⁶¹ The spread of new technologies and automation has entailed a “skills premium” and a greater polarisation in remuneration between higher-skilled and low-skilled workers. Globalisation has also increased competition between countries and put pressure on wages, often leading to a ‘race to the bottom’ for export-oriented sectors of the national economy (global trade, together with its rules, is thought to have influenced about 20% of the rise in inequality). The OECD considers that a combination of technological change, labour reforms and skewed financing practices has contributed most to rising inequalities worldwide.

32. Over the last decades, regulatory changes in many countries have lowered protections for labour rights, leading to declines in minimum wages as the bargaining power of trade unions has been weakened and non-standard forms of employment (typically more precarious than standard and more stable employment) started spreading. At the same time, redistribution systems have kept changing, with social transfers being reduced in order to balance public budgets and adapt to demographic trends (notably population aging across Europe), while taxation systems have become less progressive and tax avoidance by large multinational companies and wealthy individuals has increased.

33. Especially for countries in central and eastern Europe, gradual privatisation of basic infrastructure and services (electricity and water supply, district heating systems, railways, etc.) has led to a hiking of fees against the backdrop of stagnating income. The blurring line between private and public ownership in the provision of basic services in areas of legally protected social rights has led to profit-seeking interests side-lining the premise of maximising public interest. Services that should be provided equally for all, in line with the principle of universality (including but not limited to health care, education, transportation, housing) should be publicly financed. However, the extensive privatisation and the use of non-transparent, financially mismanaged public-private partnerships in these sectors has led not only to price hikes but also the loss of significant amounts of public resources.⁶²

34. Moreover, in countries where the informal economy is also very strong, State tax revenues are well below their potential and social spending programmes have thus to be moderated while taxation of the formal economy increases (pushing more economic activity back into the informal sector). Under these circumstances, social divides have therefore widened between societal groups and urban versus rural areas. Throughout Europe, the over-financialisation of the national economy (rent-seeking rather than producing tangible goods and benefits) and the debt burden of households, enterprises and the State have increased dramatically, which has made socio-economic structures more vulnerable to external shocks (such as the 2008-2009 financial crisis or the current pandemic) and continues to limit public policy space.

5. Policy challenges

35. Prevailing economic development models will always entail a certain degree of socio-economic inequalities. But this is no reason for States to escape their responsibilities of using policy tools and redistribution mechanisms in a way that narrows inequalities and better protects the most disadvantaged, the most vulnerable population. As pointed out in the report on “Overcoming the socio-economic crisis sparked by the Covid-19 pandemic” by my colleague Andrej Hunko (Doc. 15310), budgetary austerity measures taken by many countries in the past for handling the financial crisis have weakened social systems and thus socio-

⁵⁹ See <https://www.imf.org/-/media/Files/Publications/fiscal-monitor/2021/April/English/ch2.ashx>.

⁶⁰ See <https://www.theguardian.com/inequality/2017/jul/04/is-inequality-bad-for-the-environment>.

⁶¹ See <https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/01/World-Social-Report-2020-FullReport.pdf> and CEB study on inequalities.

⁶² <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/05/10/Mastering-the-Risky-Business-of-Public-Private-Partnerships-in-Infrastructure-50335> warns against the fiscally risky nature of PPPs.

economic inequalities kept widening. This maladministration has been exposed by the Covid-19 pandemic which amplified inequalities further, with dramatic effects on the vulnerable population.

36. Rising socio-economic inequalities have shifted the focus of discussion among economists from whether redistributive, equality-focused policies adversely affected market incentives to whether this inequality has led to excessive market power in the hands of the few and in turn negatively affected economic well-being.⁶³ This has also deepened the focus on the set of redistributive economic policy tools that specifically tackle socio-economic inequalities. There is ample empirical evidence that income and wealth gaps have widened much less where fiscal policies guarantee social rights through broad-based public provision and access to education and health services, where generous social transfers provide strong social protection, where tax regimes are progressive and strong labor market institutions are in place. In short, these policies all point to a strong welfare state and curbing the political reflexes of austerity.

37. The socio-economic societal arrangements define our working and living conditions and the extent of our access to social goods such as income, housing, education, healthcare, and transportation, which in turn determines our socio-economic realities. The negative correlation between socio-economic inequalities and health outcomes, a result of the entrenched structural inequalities, has been further magnified during the pandemic. Inequalities in access to housing and healthcare reflect variation in rates of infection and repercussions of the virus among different socio-economic groups. Several studies document these inequalities; for example, in the UK, data and analysis from the Office of National Statistics (ONS) show that the significant differences in mortality rates from Covid-19 across regions are strongly correlated with socio-economic deprivation.⁶⁴ Such variations that have been documented for other countries as well are due to the social determinants of our health and livelihood. Some have labeled the Covid-19 as a “syndemic”, given the intertwined nature of co-morbidities where Covid-19 interacts with existing inequalities in terms of chronic diseases which are closely related to social determinants of health.⁶⁵

38. Furthermore, the economic effects of the lockdown policy measures against the pandemic also fall disproportionately on the precarious and the poor, mostly leaving the poorer facing the critical dilemma between health and livelihood, especially where governmental financial support is insufficient. Lockdown meant that work from home or tele-working increased, however not everybody could stay at home. According to the “Public Response to UK Government Recommendations on Covid-19: Population Survey” of March 2020, only 44% of the population reported being able to work from home with a significantly larger share among managerial and professional workers, while those in precarious job conditions found it more difficult to work from home.⁶⁶ As the OECD reports show, inequalities in access to social protection reflect unequal socio-economic outcomes that have been exacerbated during the pandemic.⁶⁷ As such, these existing and deepening inequalities are a proof of the inadequate protection of social rights.

39. Social rights play a critical role in protecting the poorer and the vulnerable and in ensuring socio-economic equality. However, while social rights are enshrined in both international conventions and human rights instruments as well as national laws, there is a widening gap between the implementation of these rights and the legal prints. Effective implementation of social and economic rights requires sufficient allocation of economic and financial resources to ensure proper social protection and sufficient provision of public services. As such, given the pre-determined nature of the structure of economic and social conditions, identifying effective legal remedies to address potential violations of social rights becomes a daunting task in the short run. The question becomes one of addressing the source of structural inequalities and disadvantages that stand in the way of effective implementation of social rights. However, the burden of bridging this ever-growing gap between the legal social rights and their effective implementation falls on the policymakers and politicians in power.

40. During socio-economic crises and emergencies, such as the ongoing pandemic, legal remedies regarding civil liberties have proven to be much easier to implement than social rights. For example, lockdowns that limit the freedom of movement, hinder freedom of assembly, and ‘track and trace’ systems that bear the

⁶³ The set of policy instruments to tackle socio-economic inequalities can be classified according to the stages of production (pre-production, production, and post-production) or the societal group (high, medium, or low income-wealth) they directly target in the income or wealth distribution.

⁶⁴ See

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/deathsinvolvingcovid19bylocalareasanddeprivation/deathsoccurringbetween1marchand31july2020> for more information.

⁶⁵ See <https://jech.bmj.com/content/74/11/964#ref-25> for more information.

⁶⁶ See <https://www.imperial.ac.uk/mrc-global-infectious-disease-analysis/covid-19/report-10-population-survey-covid-19/> for details.

⁶⁷ See <https://www.oecd.org/coronavirus/policy-responses/supporting-livelihoods-during-the-covid-19-crisis-closing-the-gaps-in-safety-nets-17cbb92d/>.

risk of intruding on privacy and data protection have all been possible with a strike of the pen; whereas, overcoming the deep existing structural inequalities through stronger social rights protection is easily pushed to the backburner with the excuse of lack of resources to deal with the structural issues. However, even if overcoming the structural limitations for the effective implementation of social rights is more of a long-term goal, in the short-term it is an important duty and responsibility of policymakers to at least address the harmful consequences of these limitations.

41. It therefore makes good common sense that future policies better target socio-economic imbalances and fix the vulnerabilities of unequal systems. The EU's and several national post-Covid rescue packages offer a real opportunity to boost social investment and render policy strategies more responsive to societal aspirations. Greater willingness to invest in public services and the common borrowing strategy in the EU can be qualified as signs of a genuine political change, translating the understanding that robust societal development requires social re-thinking with a greater focus on shared prosperity, sustainability and long-term needs.

42. In concrete terms, I think our member States should mainstream social objectives in their policy making by systematically screening policy changes for their impact on social cohesion. Policy makers need to revisit their fiscal policies so that upfront equal opportunities are spread more fairly across society and then adjusted through redistribution channels. "Pre-production" policies must provide for more egalitarian, high quality basic education for all, as well as life-long vocational and training opportunities to support human capital in response to rapidly evolving labour market demands and employment patterns (taking into account atypical jobs, artificial intelligence, digital/platform economy, in-work poverty). The pre-production policies that target overcoming socio-economic inequalities are those which ensure that everyone has an equal endowment while entering the market. Equal opportunity policies especially concern the access to public services such as education and health, as well as a basic level of access to financial resources either in the form of income or wealth. These areas of social rights are enshrined in the ESC, calling for the ratification and a more effective implementation of the Charter across member States.

43. Production-stage policies directly target the employment, investment, and technology decisions of firms. These policy instruments include both direct financial and regulatory instruments that alter relative prices or shift the bargaining power between workers and suppliers; they also cover wage policies, rules of labor relations, industrial and competition policies, among others. There is widespread agreement among economists that the extensive deregulation of the labor market, the weakening of collective bargaining and unionisation, and the lowering of unemployment benefits have all contributed to weakening the voice of workers and rising socio-economic inequalities. The loss of bargaining power has not only affected wages but also significantly eroded the quality of jobs. The pervasiveness of flexibility has meant the loss of security for workers, rising precariousness and the spread of atypical jobs. Policies to reverse this trend are necessary. Increasing the role of trade unions as labour market institutions, enforcing effective minimum wage policies that guarantee a decent living wage to all and increasing the coverage of collective bargaining are direct labour market institutional changes that would contribute to overcoming socio-economic inequalities. Comprehensive policy sets that include both labour market activation and strong social transfers can limit in-work poverty.

44. At the same time, both the public and the private sector could also alter their employment strategies. For example, the public sector could lead by example and stop outsourcing public service jobs and instead use public procurement policies to incentivise good quality jobs through a strong focus on social clauses. Moreover, the public sector could play the role of automatic stabiliser in employment provision through a public sector job guarantee programme. Such a programme would aim to non-discretionarily balance fluctuations in private sector employment, where the reservoir of public sector jobs would diminish or rise automatically as the business cycle of the economy goes up or down.⁶⁸ As for the private sector, rules that increase worker representation in company boards and management would not only contribute to democratise corporate governance and in turn economic governance but would also help tackle excessive pay gaps, among other benefits. Policies must also include measures targeted at closing the gender pay gap and ending marginalisation of or discrimination against disabled persons and older workers. One possibility to secure quality employment for the vulnerable population is enhanced job creation in the public sector. Other possibilities lie in penalising large differentials in pay and excessive pay in the corporate sector.

45. Strengthening the bargaining power of labour through a redesign of national labour market institutions must be accompanied by complementing global trade rules to allow for raising the bargaining power of labour versus globally mobile firms. Agreeing on a set of international minimum labour rights and adding these to global trade rules would enable nation-States to follow pro-labour policies without fearing to be under-cut by others, avoiding a race-to-the bottom in labour standards and well-being. This requires reform of the global

⁶⁸ See <https://www.project-syndicate.org/onpoint/the-case-for-a-guaranteed-job-by-robert-skidelsky-2019-08> for details.

governance structure that relies on the economic model defined by neoliberal policies and a fragmented landscape of international law that drives a wedge between economic policies and human rights. Human rights legislation guarantees economic and social rights, including but not limited to playing a critical redistributive role and hence has significant implications on inequalities. The neoliberal economic policies focus on limiting the State's intervention and as such frequently clash with the responsibility of the State to uphold human dignity through its positive and negative obligations to guarantee human rights standards. This creates a wedge between the clauses of global trade and investment treaties, international financial transactions and protections enshrined in human rights conventions and treaties. Reframing the global governance structure to strengthen the shared responsibility between the State and private sector economic agents means underlining the States' responsibility to protect human rights and the businesses responsibility to fully respect human rights. We should push for change by reframing our debates in every platform to focusing not only on the role of policies but also the duty of the State in the realisation of economic and social rights, for which it is to be held accountable.

46. Private sector economic agents should also be reminded of and held accountable for their responsibilities in terms of socio-economic rights enshrined in national legislation and international conventions as well as socio-economic commitments made within the SDGs.⁶⁹ States must strengthen regulatory frameworks on corporate social responsibility so that businesses and financial markets would align more closely with SDGs and human rights as highlighted in the Assembly's Resolution 2311 (2019) on "Human rights and business – what follow-up to Committee of Ministers Recommendation CM/Rec(2016)3?". Moreover, the concentration of market power in the hands of the few, alongside a shift from productivity-driven economic activities to rent-seeking activities, points to the role competition policies and industrial policies should play in tackling socio-economic inequalities. Setting the right incentive structure to regulate rewards for non-productive activities, increasing productivity-focused investment in physical and human capital, ensuring fair and transparent public procurement are all possible policy instrument in this direction. The role of public production and competition policies, especially in energy and utility markets, is critical in determining prices of essential services that disproportionately affect the budgets of vulnerable households. Preventing private sector companies from building natural monopolies that indulge in rent-seeking behavior at the expense of public interest is critical to ensure fiscal as well as social justice.

47. Corruption and misuse of fiscal resources deprives the society of valuable public resources that could instead be used to guarantee the enjoyment of social rights and reduce socio-economic inequalities.⁷⁰ Corruption undermines the functioning and legitimacy of institutions and the rule of law. The loss of transparency and accountability goes hand in hand with the erosion of democratic institutions. In countries where there is a backslide in democratic institutions that guarantee accountability and transparency, there are several mechanisms through which the valuable public funds erode, and public interest is overlooked. Extra-budgetary financing, lack of parliamentary oversight of budgetary processes, and the abuse of financing of public-private partnerships are some examples of how public resources can be wasted to the detriment of public interest and the protection of social rights.

48. Tackling housing inequalities involves a wide range of possible solutions based on private market or public sector options. Most countries currently employ some sort of social housing allowances at municipality level so as to increase the affordability of quality housing for disadvantaged persons and households. Public investment is, however, necessary to increase the availability of housing options. Arguably, a mix of social housing allowances and investment can help reduce the higher cost of housing and thus improve social cohesion. In terms of direct transfers, fiscal policies can help by supporting mortgages for the low-income population through subsidies on interest payments or income tax deductions; in certain cases, public support is necessary to improve the quality of housing, for instance refurbishment schemes aimed at enhancing energy savings and sanitary conditions, for those with precarious or instable income. Rethinking inheritance policies may also be relevant to facilitate the inter-generational transmission of housing and household wealth, such as in Austria which abolished cumbersome taxation in recent years.

49. Finding a right taxation balance is a very delicate and complex issue of domestic policies, because any changes can reduce or widen inequalities. Oxfam's study "The commitment to reducing Inequality Index 2020", for instance, criticised some well-performing countries like Norway, Denmark or Belgium for recently promoting taxation policies that boosted inequalities.⁷¹ The paper commends Ireland and Georgia as countries with the tax systems most geared to reducing inequalities, because of their progressive tax systems and strong

⁶⁹ Sachs, J.D., Sachs, L.E. Business alignment for the "Decade of Action". *Journal of International Business Policy*, 4(1), pp. 22-27.

⁷⁰ <https://rm.coe.int/factsheet-human-rights-and-corruption/16808d9c83>.

⁷¹ See <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621061/rr-fighting-inequality-covid-19-cri-index-081020-en.pdf>.

collection of taxes, which means they can efficiently reduce their Gini coefficients by solely using taxes. Eastern European countries like Bulgaria are named as the least progressive systems. Denmark, Hungary, and Lithuania have high value added tax rates, possibly exacerbating inequality. European countries among the best performers in tax collection are Luxembourg and Denmark, while Ukraine is given as a country example where the investment in public services doubles the disposal income of the poorest people.

50. Clearly, fiscal justice is critical to overcoming social injustices. Although over the last few decades we saw a general trend of richer countries cutting back on taxation of richer individuals and corporates, the ever-increasing socio-economic inequalities call for a reversal of that trend. Post-production policies that redistribute market outcomes through taxes and social transfers, should seek to achieve fiscal justice. States must invest more in human capital and high-quality public services if they want to support virtuous economic growth and a positive human development cycle for the decades to come. A revisiting of the definition of fiscal discipline to focus more on the social and both intra- and intergenerational redistributive effects of spending and tax policies is also necessary.

51. A consensus for a human rights scrutiny of fiscal policies and a redefinition of fiscal discipline that looks beyond the aggregate fiscal patterns and into the composition of fiscal policies with a focus on social justice and public interest has been building up. To promote equality, the OECD recommends closing loopholes in current tax codes, improving tax compliance, eliminating or scaling back tax deductions tending to benefit high earners disproportionately and reassessing the role of taxes on all forms of property and wealth, including the transfers of assets. The recent consensus at G7 level on a global minimum corporate taxation level raises hopes that a comprehensive global taxation (covering the digital economy) agreement can be reached rapidly in a global context. Furthermore, there is a need for international coordination to avoid a race-to-the bottom not only with regard to tax policies but also regarding labour standards.⁷²

52. Economists have long been discussing the possible role of ensuring universal endowment with financial resources in overcoming income inequalities. Several countries have been exploring whether universal basic income or universal basic wealth/capital could be the answer to rising socio-economic inequalities and social unrest. Some argue that an unconditional basic income could help overcome the erosion in social trust due to its unconditional nature. Others argue that its simplicity, transparency, and relatively low administrative costs increase its administrative appeal, while the evidence from some experimental studies suggests that it might have positive effects on labour supply, investment in human capital and social responsibility enhance its economic appeal. Others consider that the extent of wealth inequality cannot be tackled through a universal basic income policy, but that it rather requires a universal basic wealth policy which guarantees a certain stock of wealth endowment to all. In this context, economists are discussing the possible role for fair rent policies to accompany an increase in the supply of high-quality social housing and the equalising of the distribution of assets, property, and capital through “baby bonds” that are financed through wealth and inheritance taxes. Whether it be a universal income or wealth policy, clearly such programmes of universal endowment with resources would require stronger progressive tax systems to ensure their fiscal sustainability.

53. Whether to design policies that seek to redistribute from the upper income groups through progressive taxation instruments or direct income transfers to lower income groups depends on the critical analysis of the nature of existing inequalities. Extensive data collection is important for three reasons: first and foremost, comprehensive data collection, including information from national accounts, surveys and tax administration, will allow for a healthy stock-taking of the existing income and wealth distribution. Secondly, it will enable a redistributive and economic-social rights impact assessment of policies (or in more general terms a human rights impact assessment) and ensure policy effectiveness. Thirdly, it will allow for a strong foundation of means or asset tests that are used in designing social policies and will ensure a fair and effective social policy framework.

54. Overall, Council of Europe tools, notably the ESC, should be better used and implemented by our member States towards reducing core socio-economic inequalities. Lack of progress will have an even harsher effect on vulnerable population groups due to the Covid-19 pandemic. There is a gap between the rights protected by the ESC and the socio-economic policies pursued at national level. As the ECSR (European Committee of Social Rights) underlines in its statement on Covid-19 and social rights (adopted on 24 March 2021), the implementation of the Charter requires that the State Parties not only take legal action but also practical measures so as to make available “the necessary resources to give full effect to the rights recognised in the Charter” and “to take measures that allow [them] to achieve the objectives of the Charter

⁷² See <https://www.project-syndicate.org/commentary/trade-agreement-labor-provisions-small-practical-effect-by-dani-rodrik-2018-09>.

within a reasonable time, with measurable progress and to an extent consistent with the maximum use of available resources”.⁷³

55. This year marks the 60th anniversary of the ESC (ETS No. 35 and No. 163) and the ratification situation remains complex: while all member States have signed either the 1961 or the revised ESC (of 1996), Liechtenstein, Monaco, San Marino and Switzerland have not ratified either. The revised Charter has not been ratified by Croatia, Czech Republic, Denmark, Iceland, Luxembourg, Poland, Spain and the United Kingdom which are parties to the 1961 Charter. Germany ratified the revised Charter on 29 March 2021. The Additional Protocol of 1995 providing for a system of collective complaints ETS No. 158) has only been ratified by 16 member States.

56. Over the last four supervisory cycles, the European Committee of Social Rights revealed a level of conformity in 48.9% of the situations examined, and non-conformity in around 34.4% of cases.⁷⁴ This shows that the implementation of social rights is an uphill battle that requires constant attention and willingness to progress in the member States. At the same time, there are reasons to enhance the scope of the Charter and its interpretation in the light of evolving socio-economic situations across Europe. I fully support the proposals made in the report by my colleague Mr Hunko on “Overcoming the socio-economic crisis sparked by the Covid-19 pandemic”, notably as regards “adding new rights to the catalogue of rights already protected by the Charter and [...] expanding the reach of existing rights to all persons living under the jurisdiction of States Parties” (Recommendation 2205 (2021)); the latter is particularly important in respect of migrant workers who originate from countries not covered by the Charter and with regard to ‘invisible’ and independent workers of the platform economy. Another report on “Anchoring the right to a healthy environment: need for enhanced action by the Council of Europe” by Mr Simon Moutquin also proposes drafting an additional protocol to the Charter on the right to a safe, clean, healthy and sustainable environment. This process could also give rise to further proposals for improved protection of workers in non-standard forms of work.

57. The Council of Europe Secretary General recently proposed to reform the implementation of the ESC through elevating political support coupled with the engagement to develop a level playing field for social rights across Europe, and the improved capacity of the organs of the Charter to respond effectively to the need of feedback and guidance, as well as the promotion of the ratification of the revised European Social Charter by all member States. She also proposed improvements to the procedure established under the European Social Charter and steps to enhance the efficiency and the impact of the Charter, as well as future-oriented substantive and procedural developments requiring closer consideration by Council of Europe member States and by the Parties to the Charter.⁷⁵

58. In May 2021, the Foreign Affairs Ministers of the 47 Council of Europe member States agreed on a Strategic Framework for the next four years, underlining the Organisation’s role and responsibility for ensuring the implementation of its conventions, developing new legally-binding standards in response to new challenges, and providing assistance to member States through its co-operation programmes.⁷⁶ Their strategy includes the objective of the EU’s accession to the European Convention on Human Rights, as well as pursuing the “ongoing consideration of the European Social Charter system”. Due to the important role of social rights in the aftermath of the pandemic, it is necessary to renew proposals for the EU’s accession to the ESC, which would provide for a greater complementarity between the ESC and the European Pillar of Social Rights, as well as stronger protection of social rights across all Europe.

⁷³ The statement is available on <https://www.coe.int/en/web/european-social-charter/social-rights-in-times-of-pandemic>.

⁷⁴ See Secretary General’s 2021 Annual report on the state of democracy, human rights and the rule of law – a chapter on social rights (pages 108-113) <https://rm.coe.int/annual-report-sg-2021/1680a264a2> (or via <https://www.coe.int/en/web/secretary-general/reports>).

⁷⁵ See <http://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=0900001680a238c2> (document SG/Inf(2021)13) is also downloadable at <https://www.coe.int/en/web/european-social-charter/-/the-secretary-general-presents-her-vision-for-improving-the-implementation-of-social-rights-in-europe>.

⁷⁶ See <https://www.coe.int/en/web/portal/-/foreign-affairs-ministers-set-the-council-of-europe-s-course-for-the-next-four-years>.