European Foundation for the Improvement of Living and Working Conditions

The tripartite EU agency providing knowledge to assist in the development of better social, employment and work-related policies

# Poverty and Finance: Addressing Poverty As An Investment. Ensuring The Right Balance Of The Tax-Benefit Systems.

## The costs of the lack of social inclusion policies

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# The European Pillar of Social Rights

- The **European Pillar of Social Rights** places the reduction of poverty and social exclusion at the very core of our shared European project.
- Proclaimed in **2017** by all the Head of States, representing a collective commitment to building a fairer, **more inclusive society**.
- But despite all these consensus, the debate on the ground often gets derailed when talking about budget:
- **What is the cost of our social programs?**

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# Asking the wrong question

- We have been asking the wrong question entirely!
- The right question, the one with profound implications for our economic future, is this:
- **What is the staggering and unsustainable cost of social inaction?**
- **What are the implications if we cut and left the social demand unaddressed?**

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# High Return Investments

- The evidence is clear: **viewing social policies only as a budgetary burden is a fundamental economic error.** They are not costs to be minimized, but high-return investments in our growth, cohesion, and competitiveness.
- At societal level, social spending directly boosts:
- **Human capital and productivity:** Investing in upskilling a young person, means creating a future contributor to our tax base, not a long-term dependant.
- **Long-term fiscal savings by reducing future liabilities:** Every euro spent on preventative healthcare, is a euro saved—many times over—on future emergency room visits.
- **Macroeconomic stability and stimulates aggregate demand:** money directed to lower-income households is spent almost immediately creating a powerful multiplier effect that benefits everyone.
- So, when we fund these initiatives, these should be seen in the framework of **social investment whose returns can be measured in hard economic data:** higher GDP, lower long-term state costs, and a more competitive European Union on the global stage

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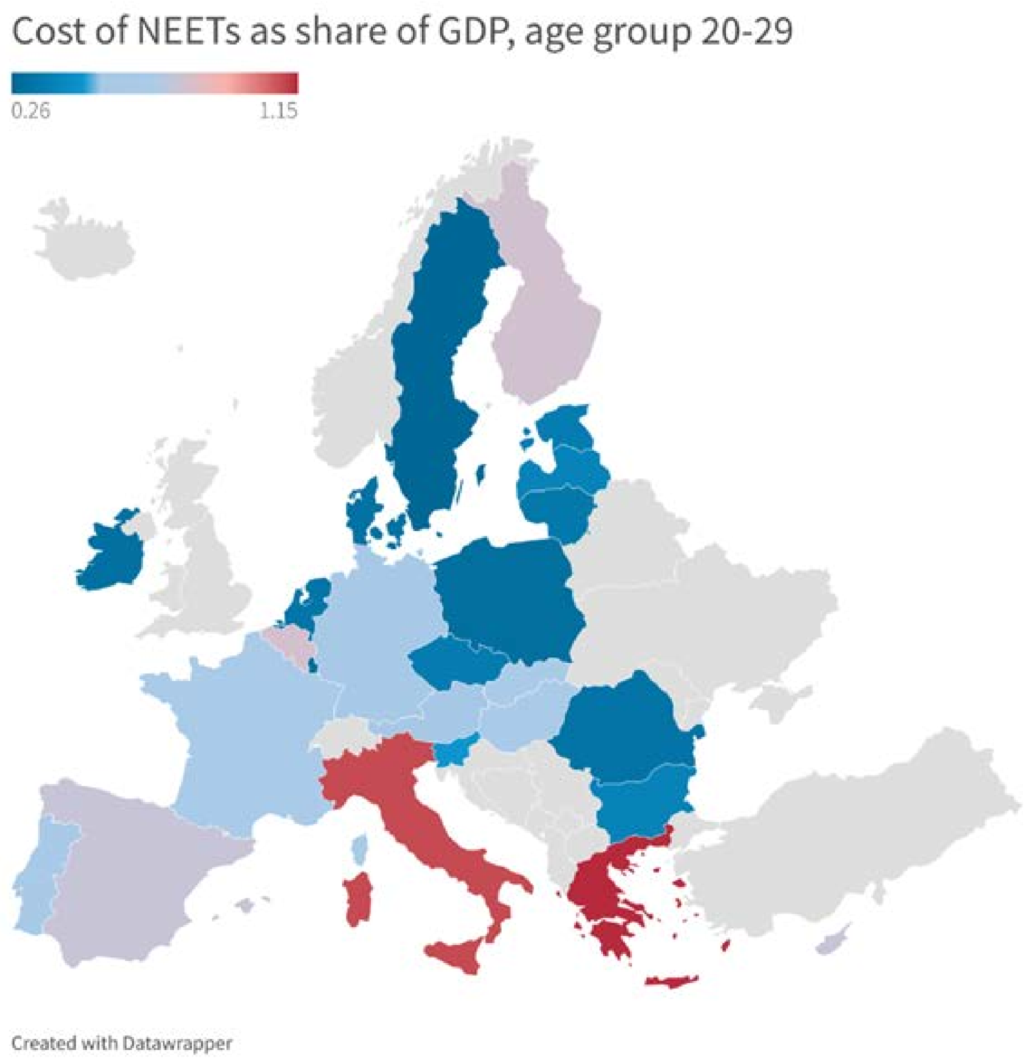
# Can we quantify the cost of inaction?

- **NEETs:** 11% of young people are NEETs, corresponding to 8 Million of citizens.
- As computed by Eurofound in 2023, the **yearly annual economic loss** for a single young person in the EU who is a NEET is **€14,625**. This is comprised of €13,402 in lost earnings and €1,224 additional welfare benefits.
- When we multiply this by all the young people affected, the scale is staggering: The total economic loss for the EU amounts to nearly **€100 billion annually, or 0.62% of our entire GDP.**

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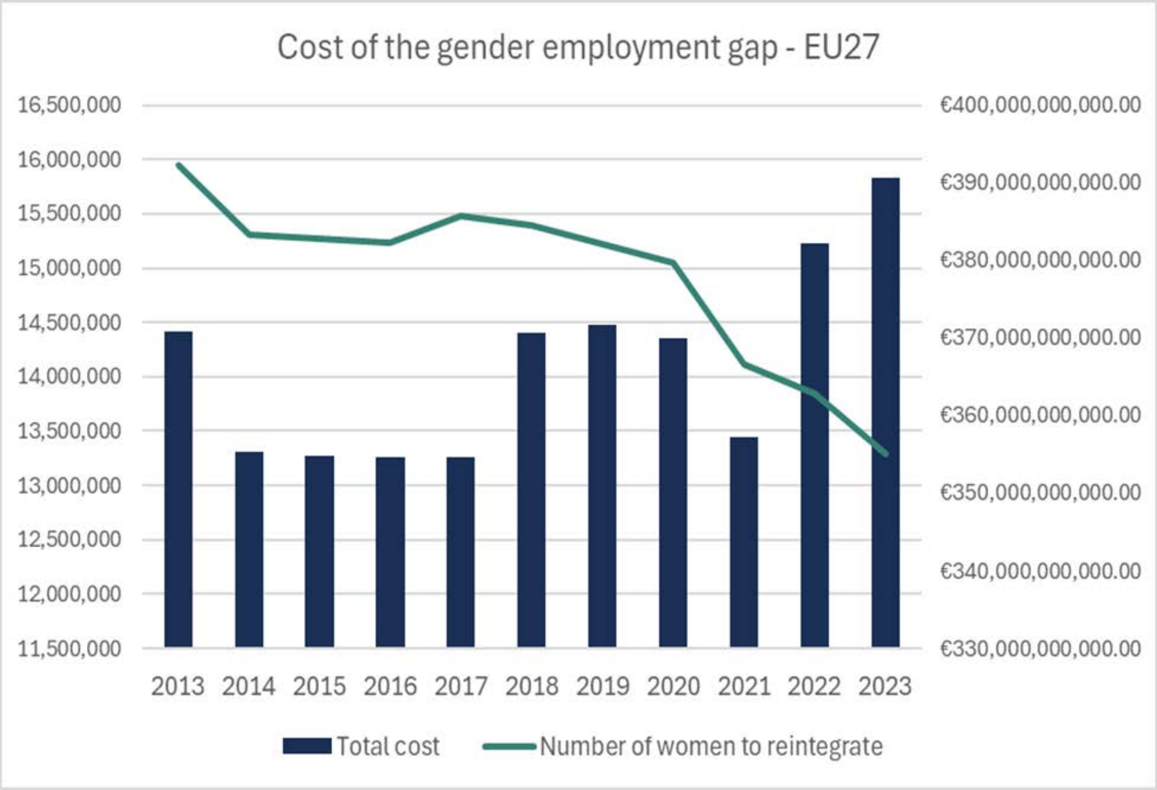
# The Macroeconomic damage of neglect

- In the EU, the male employment rate outpaced the female rate by about **10 percentage points** over the last decade.
- So, what is the **economic loss due to this gap**?
- **Eurofound** shows that in 2023, the average individual yearly cost of failing to integrating one woman into the labour market was over **€29,000** for that year.
- The total annual economic loss for the EU is enormous: it exceeds **€390 billion, which is equivalent to 2.3% of the EU's GDP.**
- The **European Investment Bank** provide a similar figure saying that closing the **Gender Gap could boost EU GDP by 2-5%**




the cost of the gender employment gap 2013-2023 → **€4,032,703,679,176.07**

# What are the proven returns of the social investment

- **Investing in persons with disabilities:** The **European Investment Bank,** tell us that enabling more people with disabilities to enter the labour market could add **about 1% to the EU's GDP**.
- **Investing in Children:** The returns here are extraordinary.  The **ILO** suggests that every **€1 invested in childcare and early childhood education** generates **€4.60 in economic returns.** But this extends to even more fundamental support:  data from **Save the Children** highlights**, every €1 invested** in school meals yields between **€7 and €34 in return.**
- **Investing in Housing:** The payback on creating stable living environments is swift and significant: **Eurofound** computed the **cost of inadequate housing** finding that for every **€3 invested** in improving housing conditions, **€2 comes back in savings** within a single year primarily from reduced healthcare and energy costs.
- **Investing in Financial Stability:** Proactive support for those in financial distress prevents far greater costs down the line. **Eurofound** shows that every **€1 invested** in state-approved debt advisory services creates **a return of €5.30** for the public purse.

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# Reframing social investment for a competitive Europe

- **The most expensive policy is inaction!**
- **Social spending not as a handout, but as a strategic social investment.**
- The **Draghi report** argues that Europe requires a **radical transformation to remain competitive** in a world of superpowers. This will demand **massive investment in technology, defence, and the green transition**.
- He rightly asks where the resources for this transformation will come from.
- **The returns of the social investment are part of this answer:** it unlock resources from within by tackling the costs of inaction.
- **Strategic social investment is not in competition with other goals; it enables them** by transforming a massive liability (the cost of inaction) into a dynamic asset (a larger, more skilled, and healthier workforce).
- **Social investment is not a separate agenda; it is the bedrock of our competitiveness:** investing in people will fuel Europe's transformation and secure our place in the world.

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