

Editorial

The year 2014 is starting, with the perspective of a more widespread and sustainable recovery from the Great Recession. True, risks remain, and the pace of progress still varies widely: in the Eurozone, for instance, a number of economies remain in a fragile state. Nevertheless, the prospects for both the world economy and the OECD area look brighter than they have for some time.

Encouraging as this may be, it risks seducing us into believing that all is now going well and that, over the next few years, a rising economy will lift all boats. The evidence of the recent past, dating even to before the financial crisis, suggests otherwise. As shown by a series of OECD reports, most notably *Divided We Stand* (2011) and *Growing Unequal?* (2008), in recent decades the fruits of economic success have been enjoyed less widely than before.

The crisis of the past years has added to these long-term trends. Many of those who benefited least from growth before the crisis also bore a heavy burden in the recession. And today, while hope for national economies is growing, the economic prospects for far too many of our fellow citizens remain under the cloud of the recent turmoil.

These problems are manifest today in the form of lingering unemployment and flat if not declining incomes for many households. As this edition of *Society at a Glance* shows, employment rates were falling until recently, with young and low-skilled workers particularly hard hit. Since 2007, the number of unemployed people in OECD countries increased by one-third to reach 48 million and more than one-third of them have been out of work for more than one year.

Growing numbers now say that they have problems making ends meet, a trend visible in 26 OECD countries since 2007. According to the Gallup World Poll, in 2012, one in four people in OECD countries reported income difficulties. In three of the Eurozone members, Greece, Ireland and Spain, the number of people living in households with no income from work has doubled. Across the OECD area, children and young people were hardest hit by income poverty.

Perhaps most worrying, however, is the prospect that these problems may continue to shape people's lives for many years to come. An obvious and much-discussed impact is "scarring", or the danger that young people who suffer long periods of unemployment, inactivity or poverty face a lifetime of diminished earnings and weakened job opportunities.

There are others. Take education, one of the most important investments individuals and societies can make in their futures. Public spending in this sector as a share of GDP fell abruptly in more than half of all OECD countries in recent years, and this risks closing off education opportunities for some families.

Health, too, is a concern. In 11 OECD countries, 15% of survey respondents report being unable to meet their health care needs while, across the OECD, only around three out of five low-income individuals report their health status as at least "good" compared with four out of five high earners. Rising numbers of families also say they cannot afford to spend enough on food.

And there are signs that a partial pick-up in fertility rates just before the crisis has now petered out, with falling incomes and joblessness perhaps leading families to delay or put off altogether having children. If this trend is maintained, it risks deepening the ageing challenge facing many OECD societies.

It will take many years before the impact of these trends can be fully understood. Some of the issues that concern us most now may fade away if we enter a period of strong and sustained growth. But, viewed from the present, their potential to produce unwelcome social outcomes looks worryingly high. At the same time, the squeeze on government spending in many OECD economies means our societies' capacity to cope with these challenges looks increasingly uncertain.

This is not to suggest we should be fatalistic. For our societies to prosper and remain stable, it is essential that social policies support families in troubled times and ensure that short-term problems do not turn into long-term disadvantages. Indeed, survey research in a number of OECD countries suggests strong support for maintaining social spending in key areas.

That will not always be easy, but where cuts are needed they must be done in ways that do not undermine the prospects of the most vulnerable or compromise the long-term well-being of children and young people. That means, in the words of a popular mantra in policy circles, "doing more with less". But it also means that resources for crucial areas of support, such as social safety nets for the poorest, may need to be increased.

As governments search for new policy approaches that meet our societies' needs, a swift response to the many social challenges posed by the economic crisis will remain a priority for years to come. But responding to past crises is not enough. One of the most important lessons from the Great Recession is this: we are far less able to predict the gyrations of our economies than we might wish to be. Still, one thing can be said with some certainty: there will be future turbulence and social policy will, once again, be under pressure to deliver.

With this in mind, social policy must be designed to work effectively in both good times and bad. As the crisis revealed, this was regrettably not the case in a number of OECD countries; while social protection programmes helped soften the blow of the crisis for many people, others were left behind with little or no support. In Southern Europe, for example, social support, while expensive, often failed to reach the poor even before the Great Recession.

The priority now must be to ensure that social policies are "crisis-proofed" – ready, in other words, to cope with the worst the global economy can throw at them. Increasingly, social spending and investment will need to be better targeted to ensure they meet our societies' most pressing needs. Equally, social support systems will need to learn to operate with maximum efficiency, ensuring they are adapted to evolving labour markets and demographics while wasting as little as possible in administration and bureaucracy.

Meeting these challenges will be far from easy and, as the pain of the recession eases, there may be a temptation to put off reforms. That would be a mistake. Evidence of a decline in trust in governments since the crisis should serve as a warning of how quickly the social compact can fray. In response, governments must demonstrate that they can respond effectively to their societies' needs. They must also ensure that social policy contributes to developing the resilience of their citizens to cope with future crises.



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