SOCIAL EXCLUSION – SOME TARGETS AND FACTS FROM THE EUROPEAN UNION AND IMPLICATIONS FOR ECONOMIC GROWTH

Abstract

On the background of inconclusive evidence about the income inequality–economic growth relation, this paper suggests that the level of exclusion (a blend of multi-dimensional and mutually reinforcing processes of deprivation), aside from the social aspects, negatively affects economic growth (especially in the case of developed countries). However, it is not mainly about the interrelation between the phenomena but also about finding the channels that lead from exclusion to growth. Identifying them allows us to answer questions about the legitimacy of some recent efforts made in the European Union (EU). The global crisis has contributed not only to a deterioration of the EU’s economy and public finances, but concurrently to European citizens’ quality of life. It is difficult to deal with all issues at the same time because there is potential conflict between the achievement of wider social objectives and the pursuit of prudent macroeconomic policy. Thus, after a discussion about current European policy in the field of poverty and social exclusion, some good examples of effective practices are also described.

JEL Classification Codes: D390, I320, I380, O520.

Keywords: social exclusion, the European Union, inclusive growth, poverty.

Introduction

Poor growth performance over the past decades and the consequences of the crisis in Europe has exacerbated concerns about rising income distribution, poverty and social exclusion. These problems should not be analysed apart from strictly economic issues, because there is strong feedback between a society and
its economy – social matters affect economic performance and the latter has an impact on people’s behaviour and activities.

In the context of income and wealth distribution, economists usually discuss the effectiveness-justice dilemma, namely whether – or rather to what extent – the process of redistribution reduces productivity and consequently economic growth. The relationship between inequality and growth remains unsolved and is thus subject to ongoing debate. Since the seminal publication by Kuznets in 1955, a number of researchers have drawn mixed conclusions about this implicit linkage. Certain scholars insisted that inequality and growth correlate negatively (Galar & Zeira 2003; Wilkinson & Pikett 2009), whereas a sizeable group of academics found an inverted relation (i. a. Okun 1975, Becker & Becker 2006, p. 91, Lucas 2003). There are also some scientists who prove that no relation exists (Deininger, Squire, 1998). The impact of social exclusion on economic growth is perceived to some extent as similar to the inequality-growth relation, though the former seems to be less disputable. Whereas some scholars successfully proved that a certain level of inequality is desirable and beneficial, social exclusion and extreme inequality (leading to poverty) are perceived as unambiguously negative phenomena which should be definitively eradicated. It does not mean that there are no studies searching for different inferences. For instance, R. Dell’ Anno and A. Amendola (2015) presented policy implications that social inclusion is not a source of economic growth in the short term (1995–2010).

The paragraph above shows that in light of some evidence, inequality and exclusion does not always negatively affect growth. But, this paper does not aim to put on the table any new evidence of how the phenomena have driven economic growth in Europe over time. The main contribution of the article is twofold: plumb the literature to identify channels of the impact of social exclusion on economic growth as well as to consider the European approach to solving problems of poverty and exclusion and verify its effectiveness. Finding the path from a given factor to growth allows scholars to answer questions about the legitimacy of some efforts, especially because economic growth is desperately needed nowadays. Those efforts are made not purely and simply based on economic premises but considering human aspects as well. It is crucial to mention that the empirical facts in contention do not stem solely from objective data (on incomes, productivity and so on), but also depend on value judgments made in measurement — judgments that one may or may not accept. Different people hold different normative views about inequality and exclusion and their impact on effectiveness. Countries which have different historically determined wealth and income distribution may also follow different growth paths.

The major motivation to study the topic is the fact that inclusive growth has become one of the three priorities of the European Union (EU) for the current decade and the fight against poverty and exclusion has been set as one out of five
measurable objectives which should be achieved by 2020. The research was based on analysis of literature, statistical data (coming from Eurostat), and European acts and documents.

The arrangement of the paper is not strictly the same as the title suggests. After this introduction, section 1 explains the notion of social exclusion and presents the channels of its impact on economic growth. Section 2 describes the character of the EU approach to social issues articulated on the pages of the „Europe 2020“ strategy. This section presents the targets and the facts because it also shows statistical data which allows one to verify effectiveness of the strategy. In section 3, the paper deals with examples of successes in the fight against social exclusion and they are also the facts. The last section offers some concluding remarks.

1. Social exclusion – the notion and channels of impact on economic performance

There are as many ways of measuring economic and social phenomena as there are ways of defining them. In the case of social exclusion and poverty, definitions especially matter, because they set the standards by which one determines whether living conditions are acceptable or not and are essential for determining questions of fairness.

It is normal that societies are not perfectly egalitarian – in a market economy, mostly entrepreneurial individuals thrive. This economic system is the most effective, but not flawless. One such flaw, an unacceptable and unfair national income distribution is often cited, though no one pinpoints where the intolerable level of inequality begins. Anyway, when a person is at a clear disadvantage with regards to other people in their environment, they are considered poor (extreme inequality). The level of poverty contrary to intolerable inequality is usually specified and interpreted as relative poverty, benchmarked on the basis of the poverty line identified for a given country (see: Wójcik-Żołądek, 2012, Pęciak & Tusińska, 2015; Williams et al., 2015).

The alternative approach to defining poverty is to look at direct measures of deprivation rather than using income as a proxy for poverty. Looking at deprivation allows a wide range of aspects of living standards to be included. A measure of multi-dimensional poverty that incorporates deprivations in the dimensions of living standards, services (healthcare, education, culture), social relations, and the labour market is called social exclusion (Braun & Gatzweiler, 2014, p. VI; Poverty and Social Exclusion www). It is associated with a progressive disassociation from social milieu, resulting in the isolation of individuals and groups from the mainstream of what opportunities a society has to offer.

There are many facets to social exclusion, thus different combinations of circumstances can lead to the same result. The three most obvious are poverty,
unemployment and disability/ill health. Some other groups vulnerable to social exclusion are: the elderly and young people, addicts, the homeless, immigrants, singles and single persons with dependent children, two adults with three or more dependent children, individuals having pre-primary, primary and lower secondary education, ex-prisoners and people brought up in a way not ensuring them normal functioning in society. No one facet is necessary or sufficient – some unemployed are not excluded while some full-time employed clearly are (Mayes, 2001).

When some groups are persistently deprived of the benefits that the rest of society enjoy, for a variety of reasons not of their own choice, it must have an impact on economy (obviously the more people excluded, the stronger potential impact can be). The channel from exclusion to growth has been examined with various approaches. It is worth mentioning that only developed countries are considered here. The developing ones should be an object of an individual study – such economies take advantage of a catching-up effect and social exclusion does not have to impede economic growth.

Figure 1. The channels of impact of social exclusion on economic growth
Source: Author’s elaboration.
Human capital is accumulated through education and it can be a positive trigger for economic growth. In the topic of education and training it is not an even starting point with included and excluded (in spite of the fact that officially, equal access to education is constitutionally guaranteed). The excluded have very slim chances to achieve a decent level of education, which has implications for their skills, productivity, position in the labour market and wages. Different initial conditions of wealth can close the door on education for some individuals and families (because of costs of commutes, work necessity, etc.). In this context, geographic factors should be mentioned – children from poor families living in the countryside have weak prospects to study in a city because of costs of commutes or flat rental. Inter-generational issues also play a role. There are rich families, in which all generations invest in human capital, are skilled and leave a large inheritance. At the same time there are poor families, in which individuals inherit less, are unskilled, and leave less to the next generation. Hence the initial distribution carries the long-run distribution and has implications for economic growth.

Another issue is actually on the verge of human capital and labour market channel. Education, experience and the skills of an employee have an economic value for employers and for the economy as a whole. The quality of employees can be improved by investing in them. The excluded and the unemployed both lose those chances to be trained.

Moreover, physical and mental health is important in human capital creation. The excluded very often have worse healthcare, since they cannot afford it, and thus their condition cannot be improved or at least maintained.

One of the three most obvious reasons of exclusion is unemployment and there are a few sub-channels of situations in the labour market that impact economic growth.

J.A. Ewing coined a term „hysteresis” which refers to systems, organisms and fields that have memory. He claims that the consequences of an input are experienced with a certain lag time, or delay. Unemployment hysteresis has been the subject of an extensive theoretical and empirical literature since at least Blanchard and Summers (1986). As unemployment increases, more people adjust to a lower standard of living. As they become accustomed to the new situation, the unemployed may not be as determined to achieve the previously desired higher living standard. Those individuals long-unemployed have problems with turning back to the labour market due to a lack of self-confidence, a decline in skills or disaffection. In addition, as more people become unemployed, it becomes more socially acceptable to remain unemployed. When labour markets return to normal, some unemployed people may be disinterested in returning to the work force. The negative impact of unemployment on gross domestic product is one of the principles in economics (Okun's law). Furthermore, tackling unemployment involves increased transfers through the tax and benefit system. That money potentially could be spent on investments and growth-driving R&D.
Financial and mental mindsets contribute to a reluctance to move and generally get one’s life together. Thus, the unemployed and excluded are usually less mobile, which can preserve the existing level of unemployment (especially the structural one).

Coming back into the labour market, workers very often join the ranks of low-paid employees (the so called „working-poor”) because of their relatively weak bargaining position. Low incomes are tantamount with low savings and credit constraints for the group as well, which restrains consumer demand and entrepreneurship. There is no doubt that liquidity constraints are an important channel by which negative effects of inequality are transmitted (Zweimüller, 2000).

Social and political channels also cannot be omitted. First of all, poverty and social exclusion increase unstable sociopolitical circumstances, which in turn increases uncertainty and decreases investments, foreign and domestic. It is „common economic knowledge” that increased investment as a component of aggregate demand (AD) helps to boost AD (also by the multiplier effect) and therefore economic growth and relinquishment of capital spending has the opposite result.

Secondly, societies with more poor and excluded people usually evince more rent seeking activities. When property rights are weakened and the ownership of one’s wealth or goods is debatable, the other can gain more by trying to appropriate that wealth than by producing themselves. Rent-seeking frequently requires spending somebody’s own resources so they own someone else’s surplus in the end. Rent-seeking never encourages productivity nor innovativeness, which puts limitations on potential economic growth (Thorbecke & Charumilind, 2002, p. 1841).

In the context of the political channel it should be mentioned that policies tend to focus on the median voter and thus all voters that favour the same polices as median voters become a more powerful group, and any policy negatively influencing their financial condition will be rejected. If the median voter belongs to the poor and/or excluded, apart from their electoral power (when forming a majority), they could influence policy by acting as a real interest group, e.g. poverty lobbies (S.I. Cohen, 2002, p. 146). Governments choose how to distribute the country’s financial resources and fund desired decisions by levying tax on individuals’ income. Therefore, in more unequally distributed societies, there is more demand for reallocation, which means more taxation and less investment, resulting in weaker growth. In such societies, populist parties get more popular while the ones favouring economic freedom and development lose their influence.

Also, the psychological aspects of exclusion should be pointed out. People aware of their poor living standards (especially children) feel discriminated against and their chances potential for full participation in education, vocational life, etc. are weaker, which contributes to the growing risk of crime and/or addiction. In such cases poverty is not only a presumption of pathology but also
its consequence (Radziukiewicz, p. 12). Increasing state expenses in the fight with pathologies potentially could be spent on different purposes, e.g. supporting economic growth.

2. The European approach to the problem of social exclusion – „Europe 2020” perspective

The presence of market imperfections is indisputable, but the degree to which those failures are accepted can vary across countries and nations (Strombach et al., 2014) – sometimes even across members of one group and one cultural circle like the EU. In consequence, the type and the number of instruments of redistribution policy can vary as well. In the EU, redistribution systems have been left to the varying competencies of the Member States (MS). Fiscal policies are also separate (although coordinated), but what has not become a part of integration are social protection systems, maintaining an individualised form in every country. In spite of this variety, there can be also pointed out some common features of the European approach to social issues. There is deeply rooted respect towards human dignity and the belief that every citizen of the EU should be included in the common welfare and take advantage of it. Informal institutions (like culture, tradition, common values) play an important role here, albeit in hard recession-ary times they are put to the test.

The global crisis has made more people poor and excluded (there were around 70 million people in the EU suffering from those phenomena ahead of the crisis; the data from 2008 and later – see: table 1), which inspired an intensification of efforts to fight poverty and exclusion. In 2010, European authorities launched the „Europe 2020” strategy, which aims to improve the position of Europe in the world. In the social sphere, the programme defines inclusive growth as one of three main priorities for the EU and one of the headline targets is 20 million less Europeans in or at risk of poverty and social exclusion by 2020. To measure the level of poverty and exclusion, the EU adopted a specific indicator („People at risk of poverty or social exclusion”) and three sub-indicators are used for monitoring progress towards the „Europe 2020” poverty and social exclusion reduction target: monetary poverty (the persons with an equivalised disposable income below the risk-of-poverty threshold set at 60 % of the national median equivalised disposable income; after social transfers), very low work intensity (people living in households where the adults worked less than 20% of their total work potential during the past year) and severe material deprivation (European Commission, 2010). The timeliness of these indicators is critical for monitoring the effectiveness of policies. The mentioned headline target seems to be not only the one concerning combating poverty and exclusion. Targets related to employment and education indirectly also promote social inclusion, respectively:
– 75% of the population aged 20–64 should be employed,
– the share of early school leavers should be under 10% and at least 40% of 30–34 years old should have completed a tertiary or equivalent education.

The diagnosis for the EU in the topic of poverty and exclusion, employment and education is presented in table 1.

Table 1. Details about selected „Europe 2020” targets

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2008</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty and exclusion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People at risk of poverty or social exclusion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1000 people)*</td>
<td>116566</td>
<td>122676</td>
<td>121626</td>
<td>:</td>
<td>95690</td>
</tr>
<tr>
<td>– living in households with very low work intensity</td>
<td>34420</td>
<td>39103</td>
<td>40240</td>
<td>(:)</td>
<td>-</td>
</tr>
<tr>
<td>– at risk of poverty after social transfers</td>
<td>81364</td>
<td>83393</td>
<td>82526</td>
<td>(:)</td>
<td>-</td>
</tr>
<tr>
<td>– severely materially deprived</td>
<td>42340</td>
<td>48997</td>
<td>47640</td>
<td>(:)</td>
<td>-</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment rate (% age group 20–64)</td>
<td>70.3</td>
<td>68.4</td>
<td>68.4</td>
<td>69.2</td>
<td>75</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early leavers from education and training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of population aged 18–24)</td>
<td>14.6</td>
<td>12.6</td>
<td>11.9</td>
<td>11.1</td>
<td>&lt;10.0</td>
</tr>
<tr>
<td>Tertiary educational attainment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of population aged 30–34)</td>
<td>31.2</td>
<td>36.0</td>
<td>37.1</td>
<td>37.9</td>
<td>≥40.0</td>
</tr>
</tbody>
</table>

* subindicators are counted only once


The data in table 1 presents the facts (2008–2014) and the targets (2020). A part of the latter will remain wishful thinking. Education target realisation looks optimistic and certain MS have already even exceeded the levels set for them, whereas some ambitious „Europe 2020” aims have turned out to be a fantasy – especially poverty and social exclusion reduction targets. Being halfway to 2020, it is already known that the EU target will not be reached based on current national targets. These add up to around 12 million people. It is predicted that if the spill over effects of strategies focusing on combating child poverty or reducing long-term unemployment are taken into account, this number can be increased by 25%. However, this would still fall short by at least 5 million or 25% of the EU headline target (Draft thematic guidance 2014, p. 3). It might be disappointing and demotivating for MS to be aware that they will not achieve inclusive growth. Analogies to the 2000 Lisbon Strategy (LS) naturally appear – in 2004 European authorities realized that the Lisbon aims were unachievable and a year later the Strategy was re-framed. Some critics provided some input into the
plausibility of the LS, which had been generated by over-ambitious priorities, and – instead of motivating people – turned out to be psychologically discouraging.

On a slightly different note, it might be open to debate whether countries achieving national targets are successful thanks to „Europe 2020” or rather to their individual determination. The fact is that there are „traditional stragglers” in Europe whereas other countries deserve the „bellwether” title and the latter would implement reforms even without the European strategy (Tilford, Whyte 2010, pp. 3 and 9). It is food for thought when the effectiveness of the „Europe 2020” strategy is considered.

Given the significance of the problem of social exclusion (its potential impact on economic growth and life quality), presumptions of the aforementioned fiasco in the fight with the phenomenon should be considered. It is impossible to name one particular culprit, but some presumptions can be indicated. Conventionally they have been assigned to three groups:

– economy field – „Europe 2020” targets (set in 2010) are overambitious in the face of the scale of the crisis and its consequences, and subsequent fragile recovery;

– economic governance field – reluctance of countries to implement ”Europe 2020” resolutions (through National Reform Programmes); it might have been caused by a too tenuous way of governance (Open Method of Coordination) or otherwise – too complicated procedures of after-crisis economic governance in the EU;

– public finance field – budget cuts having a twofold result – social expenses reduction and abandonment feeling of the poor and the excluded; the ill feeling may yield loss of motivation to get back on track.

We are also witnessing an increasing supply of less-skilled workers (through increased immigration). Given that immigrants comprise the group at risk of poverty or social exclusion, the probability of falling short of the 2020 goals is currently growing.

As was mentioned, the chance to improve the results in the struggle against poverty and social exclusion still exists. The potential improvement obviously will not take place automatically, but intensive efforts should be made. Country-specific recommendations announced in 2014 emphasize that further structural reforms of the Union’s economies need to continue, specifically:

– to tackle high unemployment, inequality and poverty, to shift to more job-friendly taxation,

– to boost private investment,

– to make the economies more competitive,

– to bring down debt.

Keeping in mind the statistics presented in table 1, conclusions made by the European Commission halfway to 2020 at first sight are not surprising, because
unemployment, inequality and poverty are the first to be dealt with. But, analysing fields of crucial reforms defined in the General Report on the Activities of the European Union, other topics appear more urgent. Namely, in the topic of employment and social policies only 13 MS were given recommendations in the field of „Poverty and social Inclusion“ whereas as many as 24 countries should draw their attention to „Education and training“. It is intriguing given the performances in this area. The same number of countries was summoned to improve „Active labour market policy“. An urgent issue (19 countries) is also „Labour market participation“ (European Commission 2014, pp. 34–35).

Juxtaposing statistics and recommendations, one may suppose that as the main way to draw the socially excluded out of malaise is through the labour market and human capital, not unconditional help. The last one is requisite only in a case of those who are severely disabled and who cannot work. Moreover, social exclusion is not just a state but a process, as seen in the progressive decline of those who lose their jobs or the progressive difficulties of the elderly. Effective actions therefore should involve early steps to avoid entering this downward spiral. Waiting till people reach the bottom greatly increases the cost and the chance of failure. Then, the negative impact on economic growth can be expected.

3. Social inclusion – examples of good practises

Focusing on prevention and early intervention, efforts of civil service and other organisations should be directed at recovery, inclusion and financial independence of the excluded. This should be accompanied by awareness that the most effective solutions are often designed and delivered at a local level (according to the subsidiarity principle). In the era of austerity, it is clear that such preventions and interventions cannot be financed purely by public money.

There are some specific entities on the economic scene whose role has grown throughout the crisis – they are ethical banks. Through their activity, they aim to promote social inclusion, sustainable development, development of social economy and social entrepreneurship. Such concepts had been implemented and held in high regard ahead of the crisis. Muhammad Yunus, a Bangladeshi economist and banker was awarded the Nobel Peace Prize (2006) for founding the Grameen Bank and pioneering the concepts of microcredit and microfinance. These loans are given to entrepreneurs too poor to qualify for traditional bank loans. M. Yunus claims that the poor should have a right to credit, because without external sources of financing there are no equal chances to develop. The world of finance can evolve into a fair and sustainable system only when credit instruments are used in a proper way (Ballesteros, 2014).
It is undeniable that trust in the banking system has been undermined by the crisis. Some people claim we are witnessing a development of microfinance as a "cure for the crisis", from an entrepreneurial approach to the logic of the fight against poverty and exclusion (microworld, www). Counting some obvious causes of exclusion (poverty and unemployment), and since the EU solutions have not fully succeeded and additional problems have appeared, those alternative solutions should be more promoted. Those initiatives are also beneficial for the public sector – for example, in France, 1 euro invested in social integration through economic activation yields slightly more than 2 euros of taxes and national insurance contributions within next year (Febea, 2011, p. 12).

In Europe, there operates i.a. the European Federation of Ethical and Alternative Banks (FEBEA – Fédération Européenne des banques Éthiques et Alternatives), a non-profit organisation created in Brussels in 2001 by Crédit Coopératif (France), Caisse Solidaire du Nord Pas-de-Calais (France), Crédal (Belgium), Hefboom (Belgium), Banca Etica (Italy) and TISE – Towarzystwo Inwestycji Społeczno-Ekonomicznych SA (Poland). In Poland, since 2008 TISE has been granting loans to non-governmental organisations, micro-, small and medium enterprises. Funds for this purpose are partly derived from TISE’s own funds and since 2012 TISE’s operations have been also funded by Bank Gospodarstwa Krajowego (National Economy Bank) under agreements with the EU (the Operational Programme „Development of Eastern Poland” and the Jeremie initiative). TISE is also a partner of Bank Gospodarstwa Krajowego in the pilot project co-financed by the European Social Fund under Measure 1.4 „Support to financial engineering for the development of social economy” (TISE, www).

Exemplification of chosen good practices from the Polish territory is presented in table 2.

The practises described in table 2 show that the social economy can be beneficial not only to the excluded but to their milieu as well – some additional aspects appear such as revitalisation or care for a UNESCO heritage site. Obviously these practises are not assumed to be the only path to inclusion (in some cases unconditional help is needed), but a stronger support for social economy and microfinance should be deeply considered by the authorities.
### Table 2. Examples of good practices in fight with social exclusion

<table>
<thead>
<tr>
<th>Name</th>
<th>Idea</th>
<th>Objectives</th>
<th>Results</th>
</tr>
</thead>
</table>
| Baltów Jurassic Park           | Implement a kind of Jurassic Park stimulating initiatives, creating jobs for the region's inhabitants and offering opportunity of independent development and improvement of their daily life. | 1. To promote touristic and economic development of the local region: increase in number of jobs, development of local enterprises, tourism and catering infrastructures.  
2. To raise awareness about ecological education, encourage the development of agro-tourism farms and tourism infrastructure with due consideration of local natural resources (river, landscape and local wildlife).  
3. To implement activities for social activation of inhabitants enabling them to pursue an independent development. | - 120 employees, especially for long-term unemployed people  
- decline of unemployment rate in locality from over 30% in 2001 to 4% in 2009.  
- construction of tourist infrastructure; 5 hotel-catering facilities, 25 agro-tourist farms, 5 one person farms.  
- places for social and cultural activity, open air events.  
- Baltów is visited by several thousands of tourists (over 500 thousand tourists in 2008 and 2009). |
| Social enterprise „Być razem” (Be Together) | Develop a social enterprise which can employ, on the basis of market rules, the people at risk of exclusion and marginalization, in particular homeless, unemployed people and handicapped; support the social cooperative societies created by this people. | 1. To reinstate the excluded people into the job market creating new job positions for them.  
2. To take part in revitalisation of post-industrial areas of Silesia.  
3. To participate to inclusion of excluded people into the job market using work and necessity of contacts with other people as a therapy.  
4. To promote social entrepreneurship. | - number of employees (in all forms of business activity): 66;  
- in 2009, more than 900 people, including 330 long term unemployed, benefited from the assistance of the Foundation for Social Enterprise Development „Być Razem”. Each year, several dozens of them find the jobs on the open market or in economic subjects managed by the foundation. |
| U Pana Cogito Guesthouse       | The only guesthouse and restaurant in Krakow which employs people with severe mental injuries to undergo work rehabilitation aiming at combating illness more effectively. | 1. Create job places for mentally handicapped people.  
2. Facilitate the activation and inclusion of people with mental injuries into the job market and convince healthy people to co-work with mentally ill people (integration activities).  
3. Encourage the social integration of people with mental injuries through contacts with other people and create therapy through work.  
4. Protect the historical treasures of old Krakow, included in UNESCO’s world heritage site. | - 30 people with mental disorders found jobs in vocational training center. U Pana Cogito Guesthouse  
- 25 people with mental disorders found jobs in Cogito Laboratory Ltd. and sub-companies.  
- participation of 75 people in group therapy workshops each year.50 trained via „professional hotel staff” programmes in years 2008/2010. |

Source: Author’s elaboration on the basis of The Atlas of Job Creation and Good Practises for social inclusion. Ethical finance for an Active, creative and solidarity-based Europe, Brussels 2010.
Conclusions

Exclusion can be interpreted as a typically social issue but also as an economic problem, and economists are interested in research of the latter. In the specialised literature there is no one unequivocal proof that exclusion stunts economic growth, but the channels presented in the paper show that a certain impact exists. Additionally, when one takes into account the human aspects and normative approach are also considered, social exclusion becomes practically impossible to accept. It is not a double standard – agreeing that the market mechanism is the most effective economic system, one should be aware that, above a certain level of stratification, society becomes dysfunctional.

Since 2010, inclusive growth that fosters poverty reduction and social inclusion through higher employment rates and improved human capital development has been especially promoted in the European Union. This priority and country recommendations promoting inclusive growth have not turned out to be fully successful – rather a deflection from the 2020 target has been observed. In light of the inferences presented in the preceding paragraph, this failure will not stay without any impact on economic growth.

Nowadays, given austerity need, the most important are initiatives concerning the labour market mobilising unemployed and inactive people. Increased employment participation is essential to the wider goal of improving welfare by reducing social exclusion and hence increasing social inclusion. Poor, unemployed and socially excluded people are also individuals under stress, who have a need for rigid, predictable rules. They must be sure what is going to happen because they are in danger — their margin for error is slim and maximum predictability is crucial. At the same time, some EU countries are having problems with public finance. Budget deficits and public debts do not always allow governments administer efficient social policies favouring inclusion. In these circumstances, it seems that the role of microfinance should be enhanced in Europe. Not only can they help in the fight against social exclusion, but ethical banks also serve to raise public awareness of the role of money and the failure of the economy based on short-term and profit as the only objective.

References


