Poverty in the European Union

The crisis and its aftermath

IN-DEPTH ANALYSIS

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This publication aims to provide recent statistics on poverty and social exclusion in the European Union and to describe how poverty has hit some specific subgroups of European society since the onset of the 'Great Recession'. The document also aims to analyse what were the main determinants of poverty since 2008 and to discuss recent developments in European poverty reduction policies.

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EXECUTIVE SUMMARY

The economic crisis has exacerbated social burdens such as poverty and inequality, which were already major issues before the crisis. Due to the multifaceted nature of poverty, the European Union uses a multidimensional indicator – the 'at risk of poverty or social exclusion' rate – based on three different dimensions: monetary poverty, severe material deprivation, or 'very low work intensity'.

Since 2008, the number of people 'at risk of poverty or social exclusion' has increased in most Member States. In 2014, nearly one in four persons (122.3 million people) was at risk of poverty or social exclusion in the European Union. Amongst the groups at greater risk, those most affected were women, children, young people, people living in single parent households, those with less education, and migrants.

New forms of poverty are emerging. Contrary to popular belief, work no longer protects against poverty. The new 'working poor' are often in precarious and low-paid jobs. Homelessness is no longer the fate of middle-aged men with long-standing social problems, but also affects families, young people, and migrants. Lastly, children are amongst the hardest hit by the crisis in terms of poverty.

Since 2008, the main drivers affecting the poverty rate in the European Union are cyclical: long-term unemployment, labour market segmentation and wage polarisation. The emergence of new family models, such as single parenthood, and the persistence of inherited poverty have strengthened the phenomenon.

In Europe, the main responsibility for combating poverty and social exclusion remains with Member States. The European Union’s role is limited to coordinating Member State policies through the Open Method of Coordination for social protection (the 'Social OMC'), providing some funding with the European Social Fund and the Fund for European Aid to the Most Deprived, and the Employment and Social Innovation programme. In 2010, with the adoption of the Europe 2020 Strategy, the European Union set a quantitative target for the reduction of poverty and social exclusion for the first time: lifting more than 20 million people out of poverty by 2020 compared with 2008. Nevertheless, achieving this objective in times of crisis and austerity measures is proving extremely difficult. The European Union has drifted further from its target.

Huge efforts are needed to meet the Europe 2020 target on poverty and social exclusion. A better balance between macroeconomic, fiscal, employment and social objectives at European Union level could be necessary. Investing early in children and youth, as well as policies to develop skills and improve employability will help. Modernising welfare states will be crucial.
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1. Introduction

The economic crisis has had a major social impact on the lives of European citizens. Many now suffer from poverty and social exclusion. The consequences of the 'Great Recession' are severe in terms of access to basic services such as healthcare or education, employment, or participation in social life. Food banks are experiencing upsurges in demand. Indebtedness, homelessness, in-work and child poverty are increasingly visible.

Despite the European Union (EU) target to reduce the number of people experiencing poverty or social exclusion by 20 million by 2020, the number of people at risk of poverty has increased: from 116 million people in 2008\(^1\) to 122 million in 2014, or 24.4% of the population (EU-28). After a slight decrease in 2013 following three consecutive years of rise, the proportion of persons at risk of poverty or social exclusion in the European Union remains almost stable in 2014, but is higher than 2008 levels (23.8%). More and more voices speak out\(^2\) to highlight the high social cost of austerity policies and demand a different approach (stakeholders,\(^3\) European Trade Union Confederation,\(^4\) think-tanks,\(^5\) media\(^6\)). As for public opinion,\(^7\) only 22% of Europeans think that efforts to fight against poverty are sufficient.

2. Measuring poverty

2.1. Definition and indicators

The words 'poverty' and 'exclusion' are often linked. Indeed, housing deprivation, excessive debt, inability to access health care, a low level of education, or limited access to basic services and social and cultural activities, can push the poor to the margins of society. However, social exclusion is also possible without being poor.

There is no consensus on the definition of poverty, which is defined by other concepts, such as well-being, basic needs, income or social exclusion, rather than by itself. Two types of poverty are commonly used, absolute or extreme, and relative poverty:

- **Absolute or extreme poverty**: when people lack the basic needs for subsistence. For instance they may be starving, lack clean water, proper housing, sufficient clothing or medicines and be struggling to stay alive. This is most common in developing countries, even if some people in the European Union still face this type of extreme poverty;

- **Relative poverty**: when people's way of life and income is so much worse than the general standard of living in the place they live, that they struggle to participate in ordinary economic, social and cultural activities. Relative poverty thus depends on the standard of living enjoyed by the majority in society.

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1. Croatia had not yet joined the European Union.
4. [European Trade Union Confederation (ETUC) declaration to the new European Commission](https://etuc.org/), ETUC, 2014.
5. [Putting the fight against poverty and social exclusion at the heart of the EU agenda: A contribution to the Mid-Term Review of the Europe 2020 Strategy](https://eapn.org/), OSE, 2014.
The European Union uses a relative definition of poverty, which was set out in 2004:

*People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantages through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted.*

The target set for reduction of poverty in the European Union, in June 2010 in the framework of the Europe 2020 strategy, was to lift at least 20 million people in the European Union from the risk of poverty and exclusion by 2020. To monitor progress towards this target, the 'Employment, Social Policy, Health and Consumer Affairs' (EPSCO) Council of Ministers agreed on an 'at risk of poverty or social exclusion' indicator. To reflect the multidimensional nature of poverty and social exclusion, this indicator analyses income-related measures of poverty together with other measures, such as severe material deprivation.

**Which poverty threshold to choose?**

The poverty rate corresponds to a part of the population which lives with an income below the poverty line. This corresponds to a percentage of the national median income, which divides the population into two groups, those receiving less than that income, and those receiving more. The threshold most commonly used is 60% of the median income (the European Union for instance). This is a convention. Some estimate that the use of the 50% threshold is more representative (the OECD for instance), and that a 40% threshold allows a focus on ‘great poverty’. For others, the 60% threshold constitutes a larger definition, which allows inclusion in a population of the poor with no access to basic needs.

The risk of poverty or social exclusion consists of a combination of three main indicators:

- **Monetary poverty** in which the most important indicator is the at-risk-of poverty rate. The at-risk-of-poverty rate is defined in relation to a threshold set at 60% of national median income, reflecting the relativeness of poverty in time and place. The poverty threshold can also be defined as 60% of European Union median income. This means that in countries with the lowest income levels, the majority of the population may have an income below the European Union poverty threshold, but most of those people are not socially excluded in national terms. Thus monetary poverty is an inappropriate method for measuring poverty in the European Union;

- **Severe material deprivation** measures the lack of ordinary necessities which would normally indicate decent living standards in a given society. It describes the enforced inability to pay for at least four of the following nine items: unexpected expenses; one week of annual holiday away from home; arrears (mortgage or rent payments, utility bills, or hire purchase instalments or other loan payments); a meal with meat or fish every other day; heating to keep the home adequately warm; a washing machine; a colour television; a telephone; or a car;

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8 Joint report by the Commission and the Council on social inclusion, Council of the EU, March 2004, p. 7.
9 Other indicators can also be used to measure the depth of poverty, its persistence (persistent poverty rate), or a ‘semi-absolute’ measure of poverty (at-risk-of poverty anchored at a point in time).
• The *very low work intensity* rate reflects the share of population aged 0 to 59 years living in households where the working age inhabitants worked less than 20% of their total work potential during the past year.

The European Union definition of poverty goes beyond the 'satisfaction of basic human needs', which is used to measure poverty in developing countries.

### 2.2. A figure for poverty across the European Union

In 2014, 122 million people were 'at risk of poverty or social exclusion' (AROPE) in the EU-28 (24.4% of the population). Prior to 2008, there was a steady decrease in the number of people 'at risk of poverty or social exclusion'. From 2008, a new trend began, which led to a rise of 6.1 million people (EU-27) at risk of poverty between 2008 and 2012. Even though between 2012 and 2014, the risk of poverty in Europe affected 2 million fewer people, the level remains well above the Europe 2020 target of 96 million.

#### 2.2.1. Divergence among Member States

In 2014, more than a third of the population was 'at risk of poverty or social exclusion' in three Member States: Romania (40.2%), Bulgaria (40.1%) and Greece (36.0%). At the opposite end of the scale, the lowest shares of persons being 'at risk of poverty or social exclusion' were recorded in the Czech Republic (14.8%), Sweden (16.9%), the Netherlands (17.1%), Finland (17.3%) and Denmark (17.8%).

**Figure 1 – Proportion of people 'at risk of poverty or social exclusion' in 2008 (EU-27) and 2014 (EU-28)**

Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia for 2008 are not available.

Among Member States for which data are available (see Figure 1), the 'at risk of poverty or social exclusion' rate has grown from 2008 to 2014 in 14 Member States, with the highest increases being recorded in Greece (from 28.1% in 2008 to 36.0% in 2014, or +7.9%), Spain (+4.7 %), Cyprus (+4.1%), Malta (+3.7%), Hungary (+2.9%) and Italy (+2.8%). In contrast, the largest decreases among Member States were observed in Poland (from 30.5% to 24.7%, or -5.8%), Romania (-4.0%), Bulgaria (-4.7%) and Slovakia (-2.2%).
Between 2008 and 2014, noteworthy increases are apparent in the countries most affected by the crisis; including the 'programme countries'\(^{11}\) (Greece, Ireland, Spain and Cyprus).

### 2.2.2. Children, youth and the active population

With a rate of 27.8% in the EU-28, children were at greater risk of poverty or social exclusion in 2014 than the rest of the population in 21 out of 25 Member States.\(^{12}\) The percentage of children living in a household 'at risk of poverty or social exclusion' ranged from around 15% in Denmark (14.5%) and Finland (15.6%), to over 35% in six countries: Latvia (35.3%), Spain (35.8%), Greece (36.7%), Hungary (41.1%), Bulgaria (45.2%) and Romania (51%).\(^ {13}\) Young adults (18-24 years) have also experienced a much greater rise in the risk than the population as a whole: +3.5% in the period 2008-2014 (see Figure 2).

**Figure 2 – Trends in risk of poverty or social exclusion. Proportions of people 'at risk of poverty or social exclusion' in 2008 (EU-27) and 2014 (EU-28), by age group**

![Image of Figure 2](https://example.com/figure2.png)

Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia for 2008 are not available.\(^{14}\)

Other groups, such as people with a disability and people from an ethnic minority and/or migrant\(^ {15}\) background (especially Roma),\(^ {16}\) which were already at a high risk of poverty and social exclusion, have also been particularly affected during the crisis.\(^ {17}\)

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\(^{11}\) 'Programme countries' are EU countries which benefited from the [European financial assistance mechanisms.](https://www.eurostat.ec.europa.eu/)

\(^{12}\) No data available for Estonia and Ireland in 2014.

\(^{13}\) [People 'at risk of poverty or social exclusion' by age group](https://data.europa.eu/8 hydraulic/9098a22c-975d-453c-9f6a-ef9023c82f55), Eurostat, 2014.

\(^{14}\) This graph is a percentile comparison of the EU-27 with EU-28.

\(^{15}\) Poverty Among Migrants in Europe, European Center, Orsolya Lelkes, Policy Brief, April 2007.

\(^{16}\) Poverty and employment: the situation of Roma in 11 EU Member States, FRA European Union Agency for Fundamental Rights, 2014.

\(^{17}\) [Health inequalities, the financial crisis, and infectious disease in Europe](https://www.ecdc.europa.eu/), European Center for Disease prevention and Control, 2013; 'NGO: Migration is a major poverty risk in Europe', Euractiv, December 2012.
Figure 3 – Trends in poverty or social exclusion risk. Number of people in the EU-27 'at risk of poverty or social exclusion' in 2008 and 2014, by age group

Data Source: Eurostat, retrieved 13 January 2016. Figures for Croatia for 2008 are not available.

The elderly now face a lower risk of poverty or social exclusion than the overall population both at EU-28 level (17.8% as opposed to 24.4%) in 23 out of the 28 Member States for which data are available. The risk of poverty or social exclusion faced by people aged 65 or over in 2014 ranged from 6.4% in Luxembourg to 47.8% in Bulgaria.

2.2.3. Character of poverty
- Monetary poverty

Looking at each of the three indicators measuring the 'at risk of poverty rate (monetary poverty, severe material deprivation and very low work intensity), 17.2% of the population in the EU-28 in 2014 were at risk of poverty after social transfers i.e. their disposable income was below their national 'at risk of poverty' threshold. This proportion has increased compared with 2013 (+0.6%).

As the thresholds reflect actual income distribution in the countries, they vary widely between Member States. The highest at-risk-of-poverty rates were observed in Romania (25.4%), Greece (22.1%), Bulgaria (21.8%) and Latvia (21.2%), where more than one in five persons was at risk of income poverty. The lowest rates were observed in the Czech Republic (9.7%), the Netherlands (11.6%) and Denmark (11.9%). Compared with 2008, the proportion of persons at risk of income poverty has increased in 20 Member States and has decreased in eight.

The at-risk-of-poverty rate is a relative measure of poverty that varies greatly between Member States but also over time. To avoid misleading results in periods of rapid and general economic decline, Eurostat calculates an at-risk-of-poverty indicator anchored\(^{18}\) in time. This indicator fixes the poverty threshold in real terms over a longer period.

\(^{18}\) For a given year (T), the at-risk-of-poverty rate anchored at a fixed moment in time is defined as the percentage of persons in the total population who are at risk of poverty, anchored at a fixed moment in time (at-risk-of-poverty threshold calculated in the standard way for the base year) and adjusted for inflation.
period of time and therefore controls the effects of a moving poverty threshold. In constant terms, 19.8% of the population in the EU-27 in 2014 was at risk of poverty anchored in 2008, which is 3.5 percentage points higher than in 2008 (16.3%).

- Very low work intensity

In 2014, 11.1% of the EU-28 population lived in a household with 'very low work intensity', i.e. where the adults worked less than 20% of their total work potential during the past year. This proportion has constantly increased in the European Union since 2008 (by 1.9 percentage points, from 9.2% in the EU-27). Wide variations exist between Member States. In 2014, around 7% of the population was living in a household with 'very low work intensity', in Luxembourg (6.1%), Sweden and Romania (both 6.4%), Slovakia (7.1%), Poland (7.3%), and the Czech Republic (7.6%). On the other end of the spectrum, the indicator for low work intensity exceeded 14% in Ireland, in Greece (17.2%), Spain (17.1%), and Belgium (14.6%). Compared with 2008, the share of persons aged 0 to 59 years living in households with 'very low work intensity' has increased in all Member States except in Germany (-1.7%), Poland (-0.7%), and Romania (-1.9%, see Figure 4).

**Figure 4 – Proportion of people living in households with very low work intensity, 2008 and 2014 (population aged 0 to 59 years)**

[![Figure 4](image-url)](image-url)


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19 [People 'at risk of poverty or social exclusion'], Figure 2, Eurostat, December 2015.
• Severe material deprivation

Severe material deprivation, which had fallen from 10.8% of the population in 2005 to 8.5% by 2008 (EU-27), rose to 9.0% (EU-28) by 2014. The share of those experiencing severe material deprivation varied significantly among Member States. In 2014, only 0.7% of the population was severely deprived in Sweden, 1.4% in Luxembourg, and 2.8% in Finland. On the other hand, the deprivation rate exceeded 30% in Bulgaria; and 20% in Romania (26.3%), Hungary (23.9%), and Greece (21.5%). In 2012, Bulgaria hit a 'severe material deprivation' rate of 44.1% (41.2% in 2008), but managed to decrease the rate to 33.1% within two years.

Figure 5 – Severe material deprivation rates in 2008 (EU-27) and 2014 (EU-28)


Among the measures for material deprivation, an inability to face unexpected expenses showed the greatest variation in the 2014 (EU-28) level, compared with 2008 (EU-27) (+4.4 percentage points, from 34.3% in 2008 to 38.5% in 2014). Compared with 2008, the percentage of people reporting difficulties in facing unexpected expenses increased in Greece from 26.6% in 2008 to 51.8% in 2014 (+25.2 percentage points), from 40.1% to 59.8% in Cyprus (+19.7 percentage points), and from 19.7% to 39.1% in Estonia (+19.4 percentage points). At the same time, it decreased by more than 8 percentage points in Malta (from 32.8% to 24.7%) and -7 percentage points in Bulgaria (from 57.4% to 49.6%).

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20 This item measures the ability of a household to cover, from their own resources, an unexpected expense amounting to a fraction (1/12) of the poverty threshold.
3. Poverty profiles

3.1. In-work poverty

In-work poverty, i.e. insufficient earnings for those who work, has increased since 2008 and has recently been identified by the Social Protection Committee\(^\text{21}\) as a worrying social ‘trend to watch’\(^\text{22}\).

In-work poverty is a phenomenon that now affects 9.5% (EU-28) of the working age EU population\(^\text{23}\). The rate of those in work and at risk of poverty has been on the rise since 2008 (8.6% in the EU-27 SILC).

The most affected countries (over 10%) are: Romania, Greece, Spain, Italy, Poland, Portugal, Estonia and Luxembourg (see Figure 7). Although the ‘working poor’ phenomenon is not new, it has been amplified due to the crisis. The economic downturn has led to greater flexibility on the labour market and to a proliferation of precarious jobs (temporary contracts or part-time jobs), often associated with low

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\(^{21}\) The Social Protection Committee is an EU advisory policy committee for Employment and Social Affairs Ministers in the Employment and Social Affairs Council (EPSCO), established by the Treaty on the Functioning of the EU (Article 160), which monitors social conditions in the EU and the development of social protection policies in Member States, and promotes discussion and coordination of policy approaches among national governments and the Commission.


\(^{23}\) The share of persons who are at work and have an equivalised disposable income below the at-risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers), EU-SILC (EU statistics on income and living conditions).
Poverty in the European Union

salaries. Having a job can help reduce the risk of poverty, it does not however guarantee protection against poverty.

Figure 7 – In-work at-risk-of-poverty rate of employed persons (18 years or over), 2008 (EU-27) and 2014 (EU-28)

![Graph showing in-work at-risk-of-poverty rate for 2008 and 2014 in EU-27 and EU-28]


Whether a person is classified ‘working poor’ is decided by working status and household income. Analysts\(^{24}\) often define a combination of low pay, high needs and weak ties to the labour market as root causes. In general, the risk is higher for single households (sole earners, especially women with dependent children), young workers and temporarily employed people, as well as those with low levels of education. Paradoxically, men face a higher risk than women, even though women are more often in part-time employment with a lower salary. However, women are more often secondary earners, meaning that the household income does not depend on them alone.\(^{25}\)

In its ‘Global Wage Report 2012/13: Wages and Equitable Growth’,\(^ {26}\) the International Labour Organization looks at differences in wages and underlines the influence of the economic crisis as regards their evolution. One in six employees in the EU-27 was a low-wage earner (i.e. earning two thirds or less of the national median gross hourly earnings)\(^ {27}\) in 2010. Women (21.2%), employees with a low level of education (29%), and with a fixed term contract (31%), were hardest hit.

\(^{24}\) For sources, see e.g. In-work poverty in the EU, Verena Kern, EPRS, European Parliament, 2014.
\(^{25}\) In work poverty in the EU, Eurostat, 2010.
\(^{27}\) Low wage earners, Eurostat news release, December 2012.
3.2. Homelessness

There have been significant increases in housing exclusion and homelessness\textsuperscript{28} in several Member States during the crisis\textsuperscript{29}. Although there are no comparable data across the European Union, there is clear evidence that the deterioration in economic conditions has resulted in an increase in the weight of housing costs in household budgets in many countries.

In 2014, an average 11.4\% of the EU-28 population was overburdened by housing costs\textsuperscript{30}, but for those at risk of poverty (below 60\% of median income) the figure was 39.9\% (EU-28) and for the 'non-poor' (above 60\% of median income) it stood at 5.5\% (EU-28)\textsuperscript{31}.

According to a 2010 Eurobarometer survey\textsuperscript{32}, more than three million Europeans say that they feel at risk of becoming homeless. Furthermore, a general trend of increasing homelessness in much of the European Union has been highlighted by the Social Protection Committee\textsuperscript{33}. More recent data from a variety of Member States indicate 'an ongoing trend of increasing homelessness in many contexts'\textsuperscript{34}.

The 'traditional core' of the homeless population was largely made up of middle-aged men with long-standing social problems, associated with mental health issues and/or alcohol and drug addiction. Since the onset of the crisis, the composition of the homeless population has changed\textsuperscript{35}. The risk of homelessness has increased, in particular among migrants from third countries, young persons, the newly unemployed, and those who generally have a low income. Women, single parent, large families, older people, the less-educated, Roma and other minorities are also more exposed.

\textsuperscript{28} Even if no single definition of homelessness is accepted in all EU Member States, stakeholders and the European Commission agreed on the European Typology of Homelessness and housing exclusion (ETHOS) definition for homelessness and housing exclusion at a 2010 European Consensus Conference (Typology on Homelessness and Housing Exclusion developed by FEANTSA, the European Federation of National Organisations working with the Homeless). This definition is derived from the physical, social and legal interpretation of what a 'home' means. It classifies the following four living circumstances as homelessness or extreme forms of housing exclusion: (1) rootlessness (people living rough and people in emergency accommodation), (2) 'houselessness' (people in accommodation for the homeless, in women's shelters, in accommodation for immigrants, people due to be released from institutions and people receiving long-term support due to homelessness), (3) insecure accommodation (people living in insecure tenancies, under threat of eviction or violence), and (4) inadequate housing (living in unfit housing, non-conventional dwellings e.g. in caravans without adequate access to public utilities such as water, electricity or gas or in situations of extreme overcrowding).


\textsuperscript{30} Glossary : Housing cost overburden rate, Eurostat, 2014.

\textsuperscript{31} Housing cost overburden rate by age, sex and poverty status, Eurostat, 2015.

\textsuperscript{32} Special Eurobarometer Report 355 on Poverty and Social Exclusion, European Commission, December 2010.


\textsuperscript{35} On the way home?, FEANTSA, 2012.
3.3. Child poverty

Approximately 27.4 million children under the age of 16 lived at risk of poverty and social exclusion in the European Union in 2014.

Child poverty rates have edged up in most developed countries over the past 20 years. The proportion of children at risk (27.4%) was greater than for any other age group and for the EU population as a whole (24.4%) in the EU-28. Between 2008 and 2014, four EU Member States saw a reduction in children at risk of poverty and social exclusion (notably Poland with -5.0%). However the situation of children deteriorated in 24 others, most seriously in Greece, Hungary, Malta, and Spain, with an increase of more than 5% in all those countries.

Figure 8 – Children (aged 0 to 16 years) 'at risk of poverty or social exclusion'


According to Eurostat, the main factors affecting child poverty are household composition, parental employment status, parental education level, and inadequate income support from the welfare system. Some groups of children, such as those with migrant parents, are more vulnerable. With respect to monetary poverty, more than 47% of 'low work intensity' households with dependent children, and over 65% of 'very low work intensity' households with dependent children (EU-28) were at risk of poverty in 2014. Moreover, 63.8% of children whose parents' level of education was low were at risk of poverty, compared to 11.0% of children whose parents had a high level of education (EU-28).

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38 Income and living conditions > Income distribution and monetary poverty > Monetary poverty > At-risk-of-poverty rate by poverty threshold and work intensity of the household (population aged 0 to 59 years), Eurostat, 2015.
39 Income and living conditions > People at-risk-of-poverty or social exclusion > Main indicator > Children at-risk-of-poverty or social exclusion by educational attainment level of their parents, Eurostat, 2015.
4. Vulnerability to poverty: understanding the determinants of poverty

Poverty is a multidimensional phenomenon caused both by collective factors, such as economic, social and labour policies and trends, and by individual factors: level of education, health, or integration in society.

4.1. Structural economic and social changes

The risk of poverty has always been determined by the combination of the way a society is organised and the economy regulated. Since the first oil shock in 1973, three main structural developments help to understand overall poverty trends in the European Union:

- **Economic downturns** have increased the risk of poverty as a result of unemployment, the rise in part-time and temporary jobs, and pressure to reduce wages;

- Most EU countries have experienced **growing income inequalities**, and particularly large income gains for the 10% top earners.\(^{40}\) **OECD data**\(^ {41}\) shows that the distribution of income is significantly more unequal than previously. The income of the poorest 10% of the population has continued to decline, or to increase less than that of the richest 10%. Consequently, those already vulnerable are at increased risk of poverty and social exclusion;

- **Reforms in national welfare systems** have generally introduced stricter eligibility criteria, lower levels of benefits, and the end of universal welfare system principles, thereby increasing the risk of ‘new’ forms of poverty hitting vulnerable groups (such as the low-skilled, people with disabilities, minority ethnic groups, etc.).

4.2. Cyclical drivers

It is difficult to make a clear distinction between structural and cyclical drivers. In the late nineties, despite economic and employment growth, poverty and social exclusion remained major issues in most EU countries; income inequalities often rose. The economic crisis has clearly exacerbated economic and social pressures. Since 2008, Europe has observed historically high unemployment and long-term unemployment rates, and a decrease in the quality and quantity of jobs. The rise in unemployment over the crisis period is a major reason for the increase in the number of people 'at risk of poverty or social exclusion' across the European Union (see Table 1).

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\(^{41}\) *Rising inequality: youth and poor fall further behind*, OECD, 2014.
Table 1 – People 'at risk of poverty or social exclusion' by most frequent activity status, aged 18 to 64 years

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<td>Croatia</td>
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<tr>
<td>Sweden</td>
<td>14.6%</td>
<td>16.9%</td>
<td>7.5%</td>
<td>8.1%</td>
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<td>Czech Rep.</td>
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<td>14.5%</td>
<td>7.1%</td>
<td>6.7%</td>
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42 In the context of the Labour Force Survey (LFS), an employed person is a person aged 15 to 74 years who performed work during the reference week – even if just for one hour a week – for pay, profit or family gain.

43 An unemployed person is defined as someone aged 15 to 74 years without work, available to start work within the next two weeks and actively having sought employment at some time during the last four weeks.

44 An inactive person is neither employed nor unemployed. The inactive population is either not working at all, not available, or not looking for work; some of these people may be of working age.
The increase in the 'at-risk-of-poverty' rate between 2008 and 2014 among those of working age but not in work (inactive) is common to all EU Member States except three – Slovenia, Poland and Lithuania. The rise is particularly pronounced in Greece (by 13.4 percentage points) and Sweden (13.4 percentage points).

4.3. Inequality drivers

4.3.1. Gender

Gender is a driver of inequality in the labour market. Participation in the job market and the reconciliation of work and family life remains a challenge for women. Looking at the intersection between gender and age, gender also drives levels of social exclusion and poverty in the long run, with women receiving lower pay than men and accumulating less pension rights over time. This can translate into a higher risk of poverty for women in older age groups (65 and above). These effects are even more pronounced for certain groups, such as female migrants for example, who are likely to work for low pay.

Nevertheless, the economic crisis has had divergent effects on the situation of women and men in Europe:

- The gender gap has diminished in terms of employment, unemployment, wages and poverty during the crisis, even if this change does not reflect an improvement in women's economic situation. In fact, it is based on lower rates of employment, higher rates of unemployment, and reduced earnings for both men and women;
- There has also been a reduction in gender gaps in employment and unemployment, as male employment declined more than female employment, and male unemployment subsequently increased faster than female unemployment;
- In the first years of the crisis, the female labour market characteristics protected women's employment. Indeed, women are over-represented in service employment (including the public sector, which often has higher protection from unemployment than the private sector), and under-represented in manufacturing, construction or finance, which have been hardest hit by the crisis;
- Women's role in the labour market over the crisis has been similar to that of men. The traditional view, that women behave as employment 'buffers', called in when demand expands but pushed back when it contracts, has been refuted during this crisis. The contemporary 'buffers' are young men and migrant workers.

However, the crisis affected pregnant women in a negative way: their rights to maternity leave and benefits have been curtailed and discrimination against pregnant women has been seen in at least four countries.

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4.3.2. Education

Education is a major driver of inequality, as social origin remains the strongest determinant of educational success.\(^49\) In 2014, the risk of poverty or social exclusion concerned about 10% of those with higher education and as many as 35% of those with a lower education level (see Figure 9), and the gap was similar in 2008 (EU-27). Thus, policies that target the less educated have potential to be successful in reducing the risk of poverty and social exclusion. As under the Europe 2020 strategy, another approach is to prevent children from leaving school early.\(^50\) This can be achieved by increasing participation in school activities during primary education, which has been shown to significantly increase the chances that students will complete secondary education. Other approaches include:

- Avoiding the clustering of children of parents with a low socio-economic status;
- Promoting the mentoring of students by either teachers and/or volunteers originating from business or civil society;
- Introducing maintenance allowances for students of parents with low socio-economic status; and
- Changing the curriculum to increase subject relevance.

Figure 9 – People ‘at risk of poverty or social exclusion’ by education level (based on the UN’s ISCED definition) of people over 18 years between 2008 (EU-27) and 2014

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\(^{49}\) An ever closer union among the peoples of Europe? Rising inequalities in the EU and their social, economic and political impacts. Outcomes of EU-funded research, Research and Innovation, European Commission, 2014, pp. 20-21.

\(^{50}\) Early School Leaving: Lessons from research for policy makers, Roger Dale, European Commission, 2010.

\(^{51}\) ISCED 1997: International Standard Classification of Education.
4.3.3. New family patterns

Emerging trends such as divorce, later parenting and cohabitation without marriage are changing traditional household and family structures. These trends have a major impact on the at-risk-of-poverty rate.

Whereas the importance of different household types varies greatly between countries, the same household types are at the highest risk of poverty and hardship in most countries: lone parents, single elderly people, and other single adult households. Throughout Europe, single parent families and large families with three or more children face the greatest difficulties, and their situation has worsened during the crisis.

An increase in single person households could impact overall poverty levels in the European Union, since the income sharing that enables two-parent families to respond to income shocks is not available. Single adult households are often composed of young, unemployed individuals or the non-working elderly, both of whom face higher risks of poverty. Women are affected by these impacts disproportionately, as they are over-represented among both single parent households (in several European states, more than 80% of all single parent households are headed by women) and single adult households (elderly women are more likely to live alone than elderly men).

4.3.4. Inherited poverty

Eurostat has re-examined the intergenerational transmission of disadvantages, which is characterised by: (1) the persistence of a low level of education, (2) a low ability to make ends meet, or (3) the succession of a 'not in work' economic situation for individuals through two generations – from parents to their children. The current economic crisis is likely to reinforce the cumulative effects of intergenerational transmission of these three characteristics:

- In 2012, in the EU-28, the at-risk-of-poverty rate was 24.8%, while the at-risk-of-poverty rate for less educated people was 27.6% (aged 18 to 64 years). The education level of parents has a strong impact on the education level of their children. This can be explained by the parents' ability or inability to support their children's studies financially. In turn, education level is one of the most important individual factors for adults in reducing the risk of poverty and being able to secure acceptable living conditions for themselves and their families;
- The transmission of a low ability to make ends meet from parents to their children significantly exceeds the transmission of a high ability to make ends meet, at 68.9% and 55.9% respectively. This is likely to increase mechanically with the economic crisis;

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Finally, in the EU-28, an average 28.6% of adults having at least one parent not in work in their childhood are likewise not in work.

5. European Union poverty reduction policies

5.1. General framework

5.1.1. Background

Combating poverty and social exclusion is a specific social policy goal for the European Union.

Between 1975 and 1994, the European Economic Community conducted a number of pilot projects and programmes designed to combat poverty and exclusion. However, Community action in this area was continually contested in the absence of a legal basis. This problem was solved with the entry into force of the Treaty of Amsterdam (1 December 1999), which enshrined the eradication of social exclusion as an objective of Community social policy.

Following the launch of the Lisbon Strategy at the European Council held in March 2000, the Nice European Council decided that cooperation on policies designed to combat social exclusion should be based on an Open Method of Coordination (OMC), combining national action plans and Commission initiatives. As provided for in Article 160 of the Treaty on the Functioning of the European Union (TFEU), a Social Protection Committee was established in 2000 to promote cooperation between Member States and with the Commission. The Member States agreed to submit national action plans against poverty and social exclusion on a regular basis from June 2001. The OMC was applied in parallel to other social protection measures, including the provision of adequate and sustainable pensions and efforts to ensure accessible, high-quality and sustainable healthcare and long-term care. In 2005, the Commission proposed to streamline the ongoing processes into a new framework for the OMC on social protection and inclusion policies (the 'social OMC'). The overarching objectives of the 'social OMC' were to promote:

- social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;
- effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the European Union's sustainable development strategy;
- good governance, transparency and the involvement of stakeholders in policy design, implementation and monitoring.

The status of social policy-making in the European Union was significantly enhanced with the Lisbon Treaty, which came into force in December 2009. In particular, Article 9 of TFEU (the 'Horizontal Social Clause') states that 'In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health'. The article therefore requires that the implications for social policy objectives should be explicitly considered when formulating policies in all areas. The Treaty also guarantees the freedoms and principles set out in the Charter of
Fundamental Rights and gives its provisions a binding legal force. This concerns social as well as civil, political and economic rights. Yet, social policy remains the competence of Member States. So, even if the European Union does contribute to social policy developments, the institutional and political obstacles to such contributions are significant.

The 2016 Dutch Presidency priorities and the fight against poverty

The Dutch Presidency\textsuperscript{58} of the Council of the EU stresses the need to reverse the increase in poverty across the European Union. Although it is primarily the responsibility of Member States to reduce poverty, the Presidency aims to stimulate the exchange of best practice, especially integrated approaches and cooperation with those (public and private) stakeholders involved in combating poverty. The Presidency particularly wishes to achieve the points set out in the Council conclusions that call upon Member States to combat poverty and social exclusion through an integrated approach.

The Presidency aims to finalise some of the points that should be raised in the Council conclusions at the informal meeting of the Social Protection Committee in Amsterdam, on 29-30 March 2016. Council conclusions could then be adopted at the ‘Employment, Social Policy, Health and Consumer Affairs’ (EPSCO) Council meeting on 16 June 2016.

The Presidency is also convinced of the opportunity that social community teams provide to combine an integrated approach with public-private cooperation to tackle social problems such as poverty. The Presidency wishes to organise a peer review to examine and discuss examples of such teams with other Member States.

5.1.2. The Europe 2020 Strategy

In 2010, with the adoption of the Europe 2020 Strategy,\textsuperscript{59} the European Union set a quantitative target for the reduction of poverty and social exclusion for the first time (to lift more than 20 million people out of poverty), and thus made tackling poverty and social exclusion a key element of EU policy.

\textsuperscript{58} Programme of the Netherlands Presidency of the Council of the European Union.

\textsuperscript{59} Europe 2020, European Commission website.
Figure 10 – EU 'at risk of poverty or social exclusion' indicator and its components 2005-2014*


* Note that the sum of the components is greater than the final metric, due to the fact that a number of people are faced with two, or even three, of the difficulties that make up the 'at risk of poverty or social exclusion' metric.

This is not the only Europe 2020 social target: targets adopted on employment and education are also relevant from an anti-poverty perspective. In addition, the Europe 2020 Strategy stresses the need to further develop childcare, and thus takes on board the yet to be achieved Barcelona targets on the availability of childcare facilities.60

Since 2010, the creation of a 'European Platform Against Poverty and Social Exclusion' to support implementation of the Europe 2020 strategy61 has given the European Commission the opportunity to draw on the knowledge of a wide range of interested parties and to take different viewpoints and experience into account. It is the main instrument for involving civil society at EU level. The Platform's last annual convention took place in Brussels on 20 and 21 November 2014.

In parallel, the Commission currently has 16 active partnership agreements with EU level non-governmental organisations in the area of social inclusion and poverty reduction, which it supports with operating grants to pursue relevant projects. Since 2012, the Commission also supports the annual European Meetings of People

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60 At the 2002 Barcelona Summit, the European Council set a target to provide childcare by 2010 to (1) at least 90% of children between three years old and the mandatory school age; and (2) at least 33% of children under three years of age. In addition, the May 2009 European Council conclusions on a strategic framework for European cooperation in education and training are also relevant, as they set the target that, by 2020, at least 95% of children between four years old and the age for starting compulsory primary education should participate in early childhood education.

experiencing Poverty, held in Brussels each year by the European Anti-Poverty Network.62

Since 2013, Member States report on the progress made in pursuing Europe 2020 social goals in their national reform programmes, with the possibility of the Commission and the Council issuing Country Specific Recommendations via the European Semester process. The economic and financial crisis brought issues of poverty, social exclusion and inequality to the forefront, exposing the limitations of macro-economic statistics in providing a reliable picture of the living conditions of ordinary people. In order to 'shift emphasis from measuring economic production to measuring societal progress and national wellbeing',63 three new indicators have been integrated in the Alert Mechanism Report 2016 (AMR), a device for screening for economic imbalances, published at the start of each Annual Growth Survey. In 2016, three employment indicators, the activity rate, long-term and youth unemployment, were added to the main scoreboard, representing a concrete deliverable on the Commission's commitment to strengthen its analysis of macroeconomic imbalances, as well as negative social developments exacerbated by the crisis.

5.1.3. The European Parliament's initiatives

Parliament has repeatedly adopted resolutions with the goal of strengthening EU action to improve the conditions and prospects of the socially disadvantaged. Several of its recent reports emphasise that in-work poverty is not unknown in European societies, and has risen considerably; therefore many reports stress the role of quality employment in preventing poverty and social exclusion. Parliament takes the view that minimum income (at a level equivalent to at least 60% of median income in the relevant Member State) and minimum wages set at a decent level (i.e. above the poverty threshold) are effective tools for protecting people from deprivation and marginalisation, and invites the Member States to exchange experiences on this subject with the support of the Commission (resolution of 20 October 2010).64 Parliament takes the view that the Member States should 'ensure access and opportunities for all throughout the lifecycle, thus reducing poverty and social exclusion, through removing barriers to labour market participation', especially for marginalised groups such as older workers, people with disabilities and minorities, and in particular the Roma community. It has asked for the 'social OMC' process to be improved and for the social component of the Lisbon Strategy and the Europe 2020 Strategy to be given a prominent role, at both EU and national level. Parliament called on the Council and the Commission to open negotiations on an interinstitutional agreement providing for Parliament's participation in that process (resolution of 6 May 2009).65

Parliament's resolution of 15 November 2011 on the European Platform against poverty and social exclusion66 makes a strong call for putting poverty reduction and

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62 The European Anti-Poverty Network, EAPN.
64 European Parliament resolution of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe.
65 European Parliament resolution of 6 May 2009 on the active inclusion of people excluded from the labour market
social inclusion at the forefront of national efforts in the coming years, as poverty reduction is the main means of ensuring future economic growth and preventing further social inequality and unrest. Parliament deplores that the gender aspect of poverty and social exclusion is ignored in the platform; reiterates its call for decent wage levels and minimum income schemes in each Member State; and calls on the Commission to ensure that austerity measures, as agreed with the Member States, do not undermine efforts to meet the Europe 2020 target of lifting 20 million people out of poverty. It further calls on the Commission to ensure that austerity measures, as agreed with Member States, do not call into question the attainment of this Europe 2020 target.

During the entire seventh term, Parliament played an active role in formulating social and employment policy to strengthen the fight against poverty and improve living conditions. From a financial point of view, three of Parliament’s major achievements, in spite of limited budget, have been the retention of the European Globalisation Adjustment Fund,67 the requirement for Member States to spend 20.3% of the funds allocated to them via the European Social Fund on social inclusion, and the creation in 2014 of a Fund for European Aid to the Most Deprived (see section 5.2.2). From a political point of view, through its resolutions of 20 November 201268 and 21 November 2013,69 Parliament actively contributed to the debate on the social dimension of the Economic and Monetary Union (EMU). In addition, Parliament continues to stress the need to properly integrate social and employment objectives into the European Semester process, by broadening social indicators and making them binding. Parliament has also reiterated its desire to see an expansion of its decision-making role in this process.

Since the beginning of the eighth term, the European Parliament has adopted a resolution70 and oral questions to the Commission71 and the Council72 on the employment and social aspects of the Europe 2020 strategy, with the aim of rekindling the debate and putting employment and social considerations on an equal footing with macroeconomic issues. On 24 November 2015, the European Parliament adopted a resolution on reducing inequalities with a special focus on child poverty.73 Parliament recommended that Member States make a real commitment to developing policies to fight child poverty that focus on correcting child poverty factors and increase the effectiveness, quantity, amounts and scope of the social support specifically directed at children, and promote labour laws that guarantee social rights, including a statutory

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67 European Globalisation Adjustment Fund.
68 European Parliament resolution of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup ‘Towards a genuine Economic and Monetary Union’.
69 European Parliament resolution of 21 November 2013 on the Commission communication entitled ‘Strengthening the social dimension of the Economic and Monetary Union (EMU)’.
71 Question for oral answer to the European Commission on employment and social aspects of the Europe 2020 strategy.
72 Question for oral answer to the Council on employment and social aspects of the Europe 2020 strategy.
73 European Parliament resolution of 24 November 2015 on reducing inequalities with a special focus on child poverty.
adequate minimum wage. It also called for the reduction in child poverty and social exclusion to be made more visible and explicit at all stages of the European Semester.

### Fight against child poverty

Child poverty is an important policy concern for EU institutions as well as for Member States. Five recent Council Presidencies (Belgium in 2010, Hungary in 2011, Cyprus in 2012, Ireland in 2013 and Greece in 2014), commissioned studies and convened conferences on child poverty, with the active participation of civil society.

In February 2013, as part of its Social Investment package, the Commission adopted a long-awaited Recommendation 'Investing in children: breaking the cycle of disadvantage'. Within the context of the 'Social OMC', the Recommendation serves as a guide for Member State implementation. Publication of the Recommendation also provides an opportunity for other institutions not directly involved in the 'Social OMC', such as the European Parliament, to influence Member State actions.

In this vein, the European Parliament has adopted resolutions addressing child poverty, including on promoting inclusion and combating poverty, and on the European Platform against poverty and social exclusion.

However a group of non-governmental organisations has pointed out some concerns that have not been fully addressed, including: (1) more rigorous monitoring and reporting, including setting sub-targets in the Europe 2020 strategy and the development of better indicators of child wellbeing; (2) development of a multiannual roadmap setting out implementation plans for the Recommendation; (3) commitment to long-term funding, particularly through earmarking portions of the structural funds for investments to help reduce poverty and exclusion.

### 5.2. EU financial support

In Europe, the main responsibility for combating poverty and social exclusion remains with Member States (MS). The EU's role is limited to coordinating MS policies through the Open Method of Coordination for social protection (the 'Social OMC'), and providing some funding. EU funds are to be mobilised to contribute to economic recovery, to provide increased support to the unemployed, young people and disadvantaged groups, and to alleviate the social consequences of the crisis.

#### 5.2.1. The European Social Fund

The European Social Fund (ESF), worth €80 billion for the period 2014-2020, supports job creation through targeted measures. The European Regional Development Fund creates employment by supporting small and medium sized businesses, research and innovation, and measures supporting green growth. The 2014-2020 financial framework allocates a greater share of cohesion policy funding to the ESF, and stipulates that at least 20% of the ESF in each Member State must be used to support

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76 European Parliament resolution of 9 October 2008 on promoting social inclusion and combating poverty, including child poverty, in the EU.


78 ATD Fourth World, Caritas, Coface, EAPN, Eurochild, Eurodiaconia, European Social Network and PICUM.

79 Child Poverty and Social Exclusion in Europe – A matter of children’s right, Save the Children, 2014.
the thematic priority of ‘promoting social inclusion and combatting poverty’. One of the major innovations of the 2014-2020 programming period is a special focus on the critical situation of young people in the current crisis, thanks to the Youth Employment Initiative (YEI), whereby a specific allocation under cohesion policy augments the possibilities offered by the ESF in support of the fight against youth unemployment in those regions which are most affected.

5.2.2. The Fund for European Aid to the Most Deprived

As the European Union planned to discontinue its food distribution programme in 2013, Parliament called on the Commission to maintain a food programme. In October 2012, the Commission put forward a proposal for a new Fund for European Aid to the Most Deprived (FEAD) for the 2014-2020 period, with a proposed budget of €2.5 billion. Following negotiations in 2013, the Council agreed to Parliament’s request to increase the FEAD budget to €3.5 billion. The aim of this fund is to provide food, clothing and other essential goods to the most deprived, and to finance social inclusion measures for the poorest in society.

5.2.3. The Employment and Social Innovation programme

In October 2011, the Commission proposed a Programme for Social Change and Innovation, bringing together three existing instruments into one integrated programme. In 2013, Parliament and the Council reached an agreement on this new Employment and Social Innovation (EaSI) programme, with a budget of €920 million for the 2014-2020 period. The EaSI programme is an EU level financing instrument which promotes a high level of quality and sustainable employment, guarantees adequate and decent social protection, combats social exclusion and poverty, and improves working conditions. Actions financed by EaSI pay particular attention to vulnerable groups such as young people, promote equality between women and men, and combat discrimination. EaSI will also invest in social innovation and social entrepreneurship.

6. Outlook: towards 2020

A key challenge is to identify which are the most important policies in the fight against poverty and social exclusion, as no single policy approach will prevent and reduce poverty and social exclusion. The most successful countries combine a range of mutually reinforcing policies, ranging from employment activation and training, to adequate systems of income support and access to high quality services and to education.

The following list of policies and actions could be taken both at European or national level to tackle poverty and make progress towards the Europe 2020 poverty goal. The different types of actions might be gathered in five categories:

1. **Supporting particular subgroups** to tackle child poverty and social exclusion, to support populations at high risk such as Roma and migrant populations, to fight against homelessness and housing exclusion and to strengthen anti-discrimination and equality measures, and policies to tackle gender inequalities;

2. **Reinforcing social policies** which, if well-designed, can encourage economic growth as well as protect people from poverty and act as economic stabilisers.

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80 *Putting the fight against poverty and social exclusion at the heart of the EU agenda*, OSE, 2014.
The Commission’s 2013 guidance to Member States on the ‘Social Investment Package’ sets out a strong case about the contribution that well-designed social policies can make to economic growth, as well as to protecting people from poverty and acting as economic stabilisers. Improving access to high quality services in areas such as education, healthcare and long-term care and other social services is also a major component of a new social investment approach.

3. **Investing in economic growth and employment**, given that more quality jobs are crucial to tackling two of the main causes of poverty – unemployment and in-work poverty – EU Member States should invest in sustainable growth and jobs strategies with the support of the European Union. Tackling unemployment requires active inclusion;

4. **Adjusting fiscal policies**, as more progressive tax policies could help to tackle poverty. Although the situation varies among Member States, data show that there has been a rise in taxation in the European Union since 2010. The European Commission, in the framework of the Europe 2020 Strategy, has put forward tax policy priorities, in particular, shifting taxation away from labour and switching to other types of taxes. The reduction of labour taxation is expected to contribute to improve household income and potentially reduce in-work poverty.

5. **Emphasising policy consistence** by strengthening the social dimension of EMU. Since the creation of the Europe 2020 Strategy and mainly due to economic crisis, the focus has been much more on fiscal consolidation than on social inclusion. The development of a set of indicators to monitor progress on the social dimension of EMU is important. The Social Protection Performance Monitor is a useful start and could be a valuable tool in this regard. This plea is in line with a strong statement by European Commission President Jean-Claude Juncker (2014), proposing that 'in the future, any support and reform programme goes not only through a fiscal sustainability assessment; but through a social impact assessment as well'.

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82 **Social Investment**, DG EMPL, European Commission.

83 Commission **Recommendation** of 3 October 2008 on the active inclusion of people excluded from the labour market.

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In 2010, as part of the Europe 2020 strategy, Member States agreed on a target to have at least 20 million fewer people in or at risk of poverty and social exclusion by 2020, thus reducing poverty from 116.4 million people to 96.4 million over the decade. Unfortunately, since the Strategy was adopted, the European Union has moved away from this target: there are now 6.7 million more people living in poverty or social exclusion across Europe compared to 2008 (EU-27). In 2012, almost one quarter of the European population was at risk of poverty, on a ‘wealthy continent’.

Which subgroups of society were the most hit by the ’Great Recession’? What are the current drivers of poverty in Europe today? And what political actions are undertaken to fight against this new 21st century social scourge?

Through a statistical analysis of the most recent trends in poverty in the European Union, this paper analyses the consequences of the crisis on the level and the nature of poverty in Europe and describes the political actions that are implemented to counter this phenomenon.