

Chapter 2

The European Context: Measuring Social Inclusion in the European Union

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Introduction

In a diverse and changing Europe, the concepts of poverty and social exclusion have not developed as an abstract intellectual project, but rather as a pragmatic response to the reality of member states and the competencies of the European institution in this field.¹ Social policy statements, activities and agreements at the EU level (Commission, Council) have crystallised a negotiated understanding of these concepts, along with advances in measurement within the EU level statistical system.

Important milestones in this process have been:

- (i) The first antipoverty programmes and the concomitant adoption of a common definition of poverty in 1975, where the poor were defined as “*individuals or families whose resources are so small as to exclude them from the minimum acceptable way of life of the Member State in which they live*”. These initial Council conclusions and their successors focused mainly on advancing research in the field and on the exchange of good practices.

¹ Social inclusion—defined as a process to prevent and tackle poverty and social exclusion—is a concept mainly used at EU level and less in national policy-making. The UK and Ireland are notable exceptions. Social policy is a shared competence of the member states and of the EU, and its main instruments (e.g. social protection) are in the hands of member states.

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- (ii) The March 2000 in Lisbon Council conclusions, stating that “*The number of people living below the poverty line and in social exclusion in the Union is unacceptable. Steps must be taken to make a decisive impact on the eradication of poverty by setting adequate targets to be agreed by the Council by the end of the year*”. Since then, member states have worked together and shared experiences within the open method of coordination (OMC).²
- (iii) The June 2010 Europe 2020 strategy under which EU heads of states and governments committed themselves to *reducing poverty and social exclusion in the EU by at least 20 million people by 2020*. This target is one of three integrated objectives (with employment and education) to contribute to inclusive growth, defined as “*building a cohesive society in which people are empowered to anticipate and manage change and consequently to actively participate in society and the economy*”.

This chapter provides in the first section a brief overview of the evolution of the concepts of poverty and exclusion as reflected in different EU level policy statements. In the following ones, first a description of how this evolution was reflected in the choice of indicators and then of how this resulted in the Europe 2020 target. The final section concludes by considering the major insights from the application of the EU analytical framework for candidate and potential candidate countries that are shifting towards this paradigm to inform their policies.

² As social policy remains under the full competency of member states, to coordinate their action, they agree on common goals (e.g. making a decisive impact on the eradication of poverty) and on common indicators used to monitor progress and compare best practices. Member states translate the common goals into their own strategic objectives and regularly report on the policies they put in place to reach these objectives. The National Strategy Reports are analysed and assessed at EU level, and common policy conclusions drawn from this analysis are jointly adopted by the European Commission and member states in the yearly Joint Report on Social Protection and Social Inclusion. The EU runs an action programme to support mutual learning through a variety of instruments: financing of EU stakeholder networks, peer reviews on specific policy issues, independent experts network, round table, EU meeting of people experiencing poverty, transnational and awareness-raising projects, studies, data collection, etc.

Action at European level has increased political awareness of poverty and exclusion and placed the fight against poverty higher on national political agendas. It encouraged member states to critically examine their policies. It highlighted how countries perform well in certain areas, spurring on other member states to perform better. It also created a better basis for policy-making by involving a range of actors such as NGOs, social partners, local and regional authorities and those working with people in poverty. The method also allowed creating a clear consensus about a number of common key priorities in the fight against poverty and social exclusion: child poverty, active inclusion, decent housing for all, etc.

Poverty and Social Exclusion: How the Concepts Developed in the EU

The definition of poverty introduced in the EU policy framework in 1975 emphasises the lack of command over resources that can hamper full participation in society. Note that at the time, the then nine EC countries enjoyed similar levels of economic development and welfare³ that allowed them to meet the vital and basic needs of the vast majority of their populations. The original EU approach reflected therefore a shared understanding that, in advanced and prosperous economies, the aim of governments goes beyond ensuring minimum subsistence levels for their citizens; it is also to ensure that all benefit from the general level of prosperity of the society. By referring to the national circumstances, they agreed that poverty is relative in time and place. This also implied that poverty is a matter for policies conducted at national level, such as employment, education and social protection.

Over time the definition of poverty has evolved from a lack of command over material resources defined as “*goods, cash income plus services from public and private sources*” adopted by the 1975 Council decision to encompass more explicitly “*cultural and social resources*” (1984 Council decision) beyond the material aspects. This evolution reflected a growing awareness that poverty is multidimensional.

Social exclusion appeared in the EU scene in the late 1980s, notably through a 1989 Council Resolution on “combating social exclusion”. Observers of the EU coordination process note that the use of the concept at EU level was a response to the increasing resistance of some countries (namely Germany and the UK) towards any EU action in the field of poverty.⁴ Poverty, especially if defined in a relative sense, was seen as a politically contentious concept, and the fight against poverty was considered a national competence, as far as it implied redistribution of resources.

Other than moving the emphasis away from poverty, the concept of social exclusion, as generally used in the EU context, had the advantage of offering a rather vague connotation. This ambiguity has been instrumental in overcoming member states’ divergence of views and in keeping social policy on the EU political agenda. One observer noted that in France fighting social exclusion is seen to require actions to ensure social integration with an emphasis on the social and cultural dimension of participation (Atkinson 2000); in Germany and the Netherlands, fighting social exclusion is about reintegration in the labour market of the welfare dependant, which is very close to the “welfare to work agenda” of the UK labour government; and

³ Between 1975 and today, socio-economic disparities between EU member states have increased dramatically. In 1975, GDP per capita varied from 92 to 113 of EC-9 average (excl. Ireland), against a variation from 45 to 131 of EU-27 average today. In 1975, social expenditure varied from 20 to 29% of GDP (excl. Ireland), against a variation from 11 to 30% of GDP today.

⁴ In the UK, a heated debate took place in the late 1980s around the issue of relative vs. absolute poverty, and John Moore Thatcher, secretary of state, even argued that (absolute) poverty was largely a thing of the past in the UK.

finally in the Scandinavian countries, social exclusion refers to exclusion from the labour market, with an emphasis put on different forms of deviant behaviour. Those same differences were still visible in 2010 during the negotiations on the definition of the Europe 2020 target (M. Daly 2010).⁵

Overall, when compared to poverty, social exclusion makes more explicit that the phenomenon is multidimensional and dynamic. Since the mid-1990s, EU documents have referred to “poverty and social exclusion” Together. This reflects a common understanding wide enough to cover national variations. Central to this understanding is a shared recognition that:

- Beyond the satisfaction of basic needs, individuals should have command over the resources that are necessary to live in dignity, realize their rights, and participate in society and the economy.
- The multiple dimensions of exclusion beyond the lack of income to cover the areas of work, health, education and social and cultural participation (thereby reflecting the views of those who have broad understanding of social inclusion as a process to support social integration).
- The temporal and dynamic dimensions of the phenomenon require solutions that allow the individual to durably escape poverty, for himself and his descendants, and to overcome the barriers to his full participation in society that he may face (e.g. discrimination). This highlights the key role of labour market integration, equal opportunities and anti-discrimination policies. Over time, the labour market dimension of exclusion gained importance, notably under the influence of the countries supporting “welfare to work” solutions.
- Situations of poverty and social exclusion are relative in time and place. However, it also recognised that poverty is graduated and that the most severe forms of poverty and exclusion also need to be taken into account. Following the 2004 wave of accession and the increased diversity of the EU landscape, there has also emerged a need to reflect “absolute” differences in living standards across the EU and how economic growth affects their improvement.

Poverty and Social Exclusion: Measures and Indicators

The development of “social inclusion” indicators in support of the EU policy coordination process aims at reflecting agreed political objectives. But it also contributes to shaping the underlying concepts, not least because measurement requires precise definitions and clarity of purpose.

⁵ The most adamant negotiators (DE, NL, DK, SE, CZ), insisting on the social exclusion dimension of the target, were those for which reintegration on the labour market of the welfare dependants, rather than redistributive policies, is the priority. On the other hand, the countries that insisted on defining the target on the basis of relative poverty and deprivation indicators only were those for which social integration requires access to both monetary and nonmonetary resources.

The first set of EU “social inclusion” indicators was formally adopted by the 2001 Laeken Council. Eighteen indicators were identified by the indicator’s sub-group of the newly established Social Protection Committee (2000) with the support of academic work carried by Atkinson and Marlier⁶ on behalf of the Belgian presidency of the Union. The exercise built on several decades of efforts to develop comparable measures of poverty and other social outcomes for EU Member States (MS), as well as on the related investments in EU harmonised social statistics.⁷ The indicators were used to support EU-level policy monitoring in the context of the strategy for social inclusion, which centred on the social open method of coordination (social OMC).

The so-called “18 Laeken indicators” had a strong emphasis on relative income measures (reflecting the original definition of poverty) but covered also labour market exclusion (jobless households), regional disparities (dispersion of employment rates), education (early school leavers) and health status (life expectancy⁸). The original list was complemented over the years by indicators reflecting the multiple dimensions of exclusion, including indicators of in-work poverty, access to health care (unmet need for care), employment rate of migrants, material deprivation (access to non-monetary resources) and the quality of, and access to, housing.

In 2006, the social inclusion portfolio was merged with indicators developed to monitor the EU’s strategy for modernizing social protection in the fields of pensions and health care. This resulted in a short list of fourteen overarching indicators covering the objectives of greater social cohesion, supported by adequate and sustainable social protection and inclusive labour markets (see full description of the objective in Annex 1).

The current EU approach to measuring poverty and social exclusion largely builds on an interpretation of the 2005 social inclusion objective and reflects the common understanding described in the previous section. However, a lot remains to be done to capture important aspects of deprivation, including non-monetary dimensions and the most severe forms of exclusion. The following dimensions are covered:

- The *at-risk-of-poverty rate* defined in relation to a threshold set at 60% of the national median income reflects the relative definition adopted by the Council in 1975, which refers to the minimum acceptable standard in the country in which people live. It is responsive to the effectiveness of the policies mobilised at national level to fight poverty: employment and welfare policies in particular. As it is a relative income measure, though, it can provide with counterintuitive results (Box 2.1).

⁶ Atkinson A.B., Cantillon B., Marlier E., Nolan B. (2001). *Social Indicators: the EU and Social Inclusion*. Oxford University Press.

Atkinson A.B., Cantillon B., Marlier E., Nolan B. (2007). *The EU and social inclusion: facing the challenges*. The Policy Press.

⁷ Comparable statistics on income and social inclusion became available at EU level before the mid-1990s, with the first results of the European Community Household Panel (1994–2001).

⁸ Broken down by socio-economic status if available at national level. Comparable data on socio-economic disparities in health status are unfortunately technically difficult to obtain, and despite efforts to improve statistical availability, they are still not available at EU level.

Box 2.1 Disparities in median income and the risk-of-poverty incidence

When the social inclusion indicators were first developed, it was agreed that the poverty threshold used in each member state should be national. According to the EU definition, social exclusion is about how you compare yourself with others in the society in which you live. Pragmatically this also resonated with the acceptance that social policy is a member state responsibility rather than a policy area determined at EU level. Nevertheless, it was felt that the different at-risk-of-poverty rates needed to be put in context by the use of the poverty threshold in each country. The threshold for each member state is shown in Fig. 2.1 for an illustrative one-person household. Even if the values are expressed in purchasing power standards (PPS) to take account of the differences in the cost of living across countries, and if we consider Luxembourg as an outlier, the value of the poverty threshold in the richest countries is nearly five times higher than in the poorest.

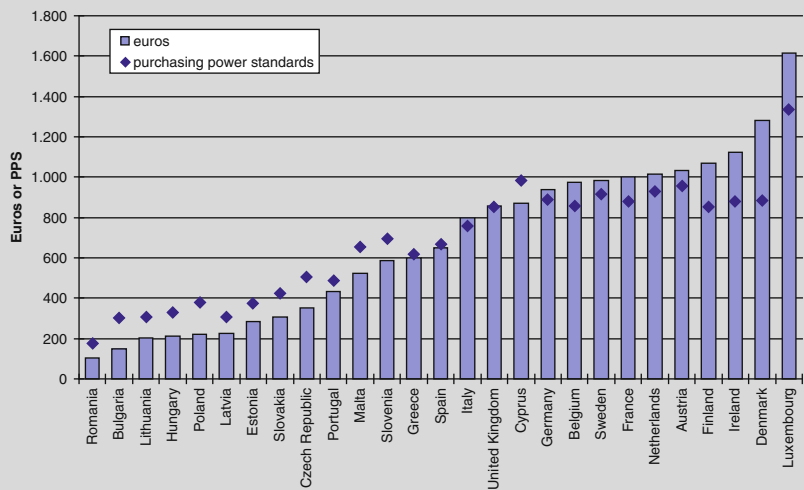


Fig. 2.1 Poverty threshold—2010 monthly disposable income for a single-person household—in Euros and in PPS. *Source:* SILC 2010, Income data 2009; except for UK, income year 2010 and for IE moving income reference period (2008–2009)

This information goes some way to meeting the concerns that the at-risk-of-poverty indicator risks being discredited. An at-risk-of-poverty rate for Luxembourg that is higher than that in the Czech and Slovak Republics needs information about the level of median household income in each country and therefore of the poverty threshold.

(continued)

Box 2.1 (continued)

Alternative methods to define poverty thresholds are being explored at EU level as a complement to the income-based poverty measures. Budget standard methods define poverty thresholds by reference to a basket of goods and services that are considered as necessary to reach an acceptable standard of living. Once agreed, the basket is valued using detailed price data. However, the selection of necessities raises a number of issues. A 2011 Commission study⁹ suggests that methods based on the estimates of experts and focus groups usually produce quite “generous” baskets of goods, leading to thresholds “to be at or above relative poverty thresholds”.

Table 2.1 illustrates that budget standard methods in the United Kingdom, Belgium (Flanders) and Austria resulted in amounts around or above the 60% of median income threshold. In the Netherlands, the method produced a much more “parsimonious” basket, probably because the purpose was to set a level for minimum income through parliamentary committees.

Table 2.1 Budget standard examples for a single person of working age

	UK Minimum Income Standard 2008	Netherlands NIBUD budget 2008	Ireland Vincentian 2006	Flanders CSB 2008
<i>€ppp per year 2007 prices</i>				
Food	2.499	1.761	2.949	1.604
Clothing	473	522	723	414
Fuel	558	881	327	1.107
Rent	3.240	3.403	2.921	4.169
Total necessities	6.770	6.566	6.921	7.294
Total budget	13.018	8.599	15.039	10.129
<i>€ppp per year 2008</i>				
Relative threshold	11.126	11.485	10.901	10.046 (Belgium)

Source: “The measurement of extreme poverty”—European Commission (2011) and EU-SILC

The use of budget standard methods can also help to illustrate what people living around the poverty threshold can afford in a given country or location.

Example: What can a family on 60% of the median income, adjusted for its household size, actually consume? The example of a lone mother with two children in Belgium

(continued)

⁹ “The measurement of extreme poverty”—Bradshaw et al. on behalf of European Commission (2011).

Box 2.1 (continued)

	Euro/month	%
Food, clothes, shoes	508	35
Domestic goods and services	144	10
Telephone	24	2
Personal care	26	2
Health care	28	2
Transport	50	4
School	16	1
Leisure	106	8
Taxes, insurances	38	2
Rent private sector	351	25
Total budget	1.422	100

Source: B. Cantillon University of Antwerp

Methodological work in this area will continue at the EU level, and member states have been encouraged to develop this type of measures. However, the implementation of such methods at EU level raises important technical problems since the basket of goods has to take account of very different consumption patterns across countries. Ensuring that the thresholds measure comparable situation of hardship would require developed consumption data and prices harmonised at EU level, which the current framework for household budget surveys does not provide. The 2010 peer review on budget standards discussed these issues in more detail¹⁰; further work could build on this exchange of MS experiences.

- *Income-based indicators* reflecting the depth of poverty (poverty gap, poverty rate at different thresholds), the persistence of poverty (persistent poverty rate) or a “semi-absolute” measure of poverty (at risk of poverty anchored at a point in time) that captures the improvement of living standards resulting from economic growth.
- *Multidimensional indicators* covering poverty and social exclusion in the fields of material deprivation, work, education, health and housing, further complement these monetary indicators. Regional disparities and the specific situation of migrants are also covered.

The adoption by the Social Protection Committee of a material deprivation indicator in February 2009 was an important step in refining the measurement of social

¹⁰<http://www.peer-review-social-inclusion.eu/peer-reviews/2010/using-reference-budgets-for-drawing-up-the-requirements-of-a-minimum-income-scheme-and-assessing-adequacy>.

exclusion for two reasons.¹¹ Firstly, it provides a non-monetary measure of poverty—by referring to what people can afford, it implicitly takes into account the availability of accumulated resources (savings, durable goods, housing, etc.) that are not captured by current income. Secondly, it establishes an EU-wide standard since the same list of nine items is applied in all member states (thereby setting a common reference for all EU citizens). This represents a move towards an absolute rather than a relative measure, highlighting disparities in living standards across countries.

Statistical Sources to Compute Comparable Statistics on Living Conditions: The EU-SILC

The development of social inclusion indicators would not have been possible without EU investments since the early 1990s in the collection of comparable statistics on income and living conditions. The original European Community Household Panel (1994–2001) was replaced in 2005 by EU-SILC (Community Statistics on Income and Living Conditions).¹²

EU-SILC is now the reference source at EU level for social statistics and has helped strengthening EU social policy coordination by underpinning the analysis and the comparison of member states performance in the social field. A key objective of EU-SILC is to deliver robust and comparable data on total disposable household income. Income components were defined to follow as closely as possible the international recommendations of the UN “Canberra Manual”.¹³

While much has been achieved more work is required to improve the measurement of poverty and social exclusion. The definition of resources needs to take into account imputed rent¹⁴ and the value of in-kind services. The list of material deprivation items that were used in the definition of the Europe 2020 target is currently being revised to adjust the definition of material deprivation to the evolution of living standards in the EU. This should be done in time for the revision of the target in 2014. More could be done also to exploit the longitudinal component of the survey (some of the households are followed over a period of 4 years), thereby allowing better to capture the temporal dimension of poverty and exclusion. Finally, there is a strong consensus among users and producers of the data that timeliness needs to be significantly improved. The EU is exploring different options, including the possibility of producing early SILC results for key variables of the survey in cooperation with the European Statistical System¹⁵, using alternative and more timely

¹¹ The deprivation indicator measures the enforced lack of at least four items from a list of nine (which include being able to pay one’s rent and utility bills, facing unexpected expenses, being able to afford adequate heating and having a car, a telephone, etc.).

¹² EU-SILC Framework Regulation of the European Parliament and the Council (N°1177/2003).

¹³ United Nations (2001) or <http://www.lisproject.org/links/canberra/finalreport.pdf>.

¹⁴ Imputed rent is an estimate of the economic advantage of home ownership, compared to renters.

¹⁵ European Statistical System represents Eurostat and the National Statistical Offices of the EU member states.

sources of information (such as monthly consumer surveys, the Labour Force Survey or administrative data collected through the SPC), as well as the use of micro-simulation tools to produce ‘nowcasts’ or forecasts of poverty trends (Euromod).

A Closer Look at the Europe 2020 Strategy and the Adoption of an EU Target to Reduce Poverty and Social exclusion

In June 2010, EU heads of states and governments committed themselves *to reducing poverty and social exclusion in the EU by at least 20 million people by 2020*.¹⁶ Building on the work that had taken place over the last decade in terms of defining indicators of poverty and exclusion, the new EU target defined poverty and social exclusion on the basis of three main indicators: risk of poverty, material deprivation and jobless households.¹⁷ Examining the recent dynamics of these three indicators in the EU-27 and in the EU-15 and NMS-12 (Fig. 2.2) helps clarify what they capture and why they have been included in such a central policy target. Four major findings stand out.

- First, the relative poverty rate and the severe material deprivation rate appear to capture very different aspects of poverty and exclusion. Indeed, while the first has

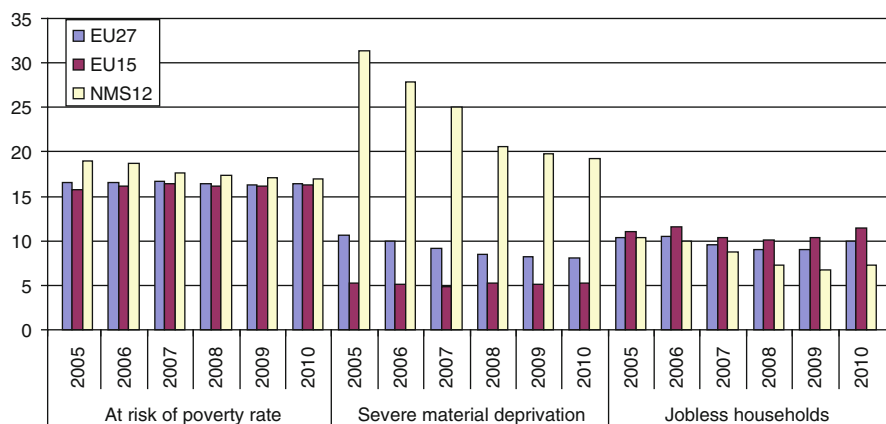


Fig. 2.2 Trends in poverty rates, material deprivation and jobless households, total population—2005–2010. *Source:* EU-SILC

¹⁶ This target is one of three integrated objectives (with employment and education) to contribute to inclusive growth, defined as “*building a cohesive society in which people are empowered to anticipate and manage change and consequently to actively participate in society and the economy*”.

¹⁷ The indicator jobless households refers to the number of people, aged 0–59, not students, who live in a household where all adults did not work or worked less than 1 day per week in average over 12 months. This indicator is also referred to as “*people living households with zero or very low work intensity*”.

been stagnating over the six years for which there are data, living standards in the new member states improved, when measured by severe material deprivation rates.¹⁸ The improvement of the material deprivation rate in the new member states parallels the relative improvement of GDP per capita. The crisis has already put a halt to this improvement trend. The impact of the rise in unemployment during the Great Recession is most visible in the post-2008 increase in the percentage of jobless households, especially in the EU-15.

- Second, the risk-of-poverty measure encapsulates an approach to social exclusion aimed at capturing how people measure themselves against others in their society.¹⁹ This might mean, as in the recent cases of Latvia, Estonia and the UK, that at times of crisis its reported incidence might decrease with the decline of median incomes to which it is anchored. The apparent improvement in relative poverty may reflect the fact that people with an income slightly below the poverty line may move above it as the line falls, even though their situation is unchanged, and may indeed have worsened. Note however that a decline in median income need not mean a decrease in this indicator, as illustrated by the cases of Spain and Slovenia.
- Third, the material deprivation indicator does capture absolute living standards. While it has remained stable at EU level in 2010, it has increased by over three percentage points for people at risk of poverty, pointing to a relative deterioration in living conditions among people with the lowest incomes. Similarly dramatic increases have been recorded in some countries where the crisis has been especially severe such as Lithuania and Latvia.
- Finally, the reversal of the decline in the incidence of jobless households closely mirrors the increase of the number of families having to rely entirely on social benefits.

In strong continuity with the overall approach adopted at European level, the Europe 2020 target recognises a multidimensional approach to fighting poverty and social exclusion. The three non-exclusive and overlapping dimensions underpinning the target make it possible to take into account the diversity of situation and priorities that prevail in the EU, notably after the accession of new member states with significantly lower GDP per capita.²⁰ This is illustrated by the Venn diagrams in

¹⁸ The severe material deprivation rate provides a headcount of the number of people who cannot afford to pay their rent, mortgage or utility bills; keep their home adequately warm; face unexpected expenses; eat meat or proteins regularly; go on holiday; or afford to buy a television, a fridge, a car or a telephone. The indicator measures the percentage of the population that cannot afford at least 4 of the 9 items quoted above.

¹⁹ By relying on definitions anchored in each country's median income, there are broad variations in the poverty lines adopted in different countries. Even if the values are expressed in purchasing power standards (PPS) to take account of the differences in the cost of living across countries, and even excluding Luxembourg as an outlier, the value of the poverty threshold in the richest countries is nearly five times higher than in the poorest.

²⁰ For a more detailed presentation of the new target and the diversity of populations and forms of poverty it represents, see Chap. 3 of *Employment and Social Developments in Europe 2011* (<http://ec.europa.eu/social/main.jsp?catId=113&langId=en&pubId=6176&type=2&furtherPubs=yes>).



Fig. 2.3 The EU 2020 target and the heterogeneity of poverty and exclusion in member states.
Source: EU-SILC 2010

Fig. 2.3. The diagrams represent the relative weight of the three indicators for the EU, Ireland and Bulgaria, illustrating the diverse profile of deprivation captured by the Europe 2020 target measure.

The poverty target, while an important headline figure and one that has raised the profile of the social agenda within the context of inclusive growth, does not exhaust all the facets of poverty that are part of the policy debate. Awareness-raising campaigns in the EU and the impact of the crisis have highlighted the situations of very severe forms of poverty and social exclusion that persist within the EU, such as those faced by the homeless, the Roma or people living in isolated rural areas. The Directorate General for Employment, Social Affairs and Inclusion (DG EMPL) is working with diverse partners (Eurostat, the Directorate General for Regional Policies, the World Bank), to develop the specific measurement tools needed to monitor the situation of these people and other disadvantaged groups.

Another aspect that is not properly captured by the current measures concerns the role of services in actively supporting participation in society of people at risk of exclusion. DG EMPL (together with Eurostat and the OECD) is currently addressing this issue and trying to develop measures of access to services and the redistributive role of service provision.

A midterm revision of the Europe 2020 target is planned for 2015, notably to take account of the need to improve the measurement of poverty and social exclusion. The Council of Ministers has emphasised the need to improve the timeliness of data availability, to take into account the value of in-kind services and to review the list of material deprivation items in order to adjust the definition of the indicator to the evolution of living standards in the EU.

Key Policy Insights from the Analysis of Poverty and Social Inclusion in the EU Member States

Much has been learnt from the analysis of poverty and inclusion over the last decade. These key insights are briefly reviewed below:

Having a job remains the best safeguard against poverty and exclusion, since the risk of poverty faced by working age adults without work (unemployed or inactive) is more than three times higher than those in work (27% against 8%). Even before the crisis, about one third of the working age population in the EU was out of work, either unemployed or inactive. This is despite the increased participation of women as second earners and of older workers over the last decade, notably through the availability of part-time work.

Having, a job is not always a guarantee against the risk of poverty, and the working poor represent one third of the working age adults at risk of poverty. In 2010, 8% of the people in employment were living under the poverty threshold. Low pay, low skills, precarious employment and underemployment are important determinants of in-work poverty, as is work intensity in the household (i.e. situations where there are too few adults working in the household, or not working enough to earn a living) is another major factor. Single and lone parent households not working full time, as well as one-earner families, face the highest risks of poverty.

Certain groups appear to be persistently outside or at the margin of the labour market, often facing multiple barriers to entry. Factors such as low skills, care responsibilities, age, migrant background and other factors all contribute). Households in which nobody works face particularly acute challenges. There is a concern that the incidence of jobless households may become deeply entrenched, even with a resumption of growth.

The design of the tax-benefit system is a crucial determinant of income inequalities and the degree of redistribution to the poor. Important features include the progressivity of taxes and benefits, the degree of targeting and the conditionality of benefits. Evidence from member states shows that social transfers other than pensions effectively reduce poverty risks, but the degree to which they do so varies substantially across member states (ranging from a poverty reduction effect of 50% or more in some countries to 25% or less in others). This largely reflects differences in the size of expenditure, which vary from 17 to 33% of GDP. The composition of expenditure and the quality of interventions also play an important role. Available evidence also highlights a large variation across member states in net cash support to low-income households so that countries with similar levels of expenditure (excluding pensions) achieve quite different levels of poverty reduction, pointing to possible gains in efficiency. Finally, as other chapters in this volume highlight, poorly designed benefit transfers can create disincentive effects obstructing entry into labour markets.

Appendix 1. Current Formulation of the EU Policy Objectives on Social Inclusion

A.1. The Open Method of Coordination for Social Protection and Social Inclusion

The overarching objectives are to promote:

- (a) 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
- (b) Effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy
- (c) Good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy

The social inclusion objectives:

Among the 2006 streamlined objectives of the social OMC, the specific objective applying to the social inclusion strand is to have *a decisive impact on the eradication of poverty and social exclusion by ensuring:*

- (d) Access for all to the resources, rights and services needed for participation in society, preventing and addressing exclusion and fighting all forms of discrimination leading to exclusion
- (e) The active social inclusion of all, both by promoting participation in the labour market and by fighting poverty and exclusion
- (f) That social inclusion policies are well coordinated and involve all levels of government and relevant actors, including people experiencing poverty, that they are efficient and effective and mainstreamed into all relevant public policies, including economic, budgetary, education and training policies and structural fund (notably ESF) programmes.

Europe 2020²¹: A Broad Definition, with a Strong Focus on Labour Market Integration

Guideline 10: Promoting social inclusion and combating poverty

The extension of employment opportunities is an essential aspect of member states' integrated strategies to prevent and reduce poverty and to promote full participation

²¹ Council Decision of 21 October 2010 on guidelines for the employment policies of the member states (doc 2010/707/EU).

in society and economy. Appropriate use of the European Social Fund and other EU funds should be made to that end. Efforts should concentrate on ensuring equal opportunities, including access for all to high-quality, affordable and sustainable services, in particular in the social field. Public services (including online services, in line with guideline 4) play an important role in this respect. Member states should put in place effective anti-discrimination measures. Empowering people and promoting labour market participation for those furthest away from the labour market while preventing in-work poverty will help fight social exclusion. This would require enhancing social protection systems, life-long learning and comprehensive active inclusion policies to create opportunities at different stages of people's lives and shield them from the risk of exclusion, with special attention to women. Social protection systems, including pensions and access to health care, should be modernised and fully deployed to ensure adequate income support and services—thus providing social cohesion—whilst remaining financially sustainable and encouraging participation in society and in the labour market.

Benefit systems should focus on ensuring income security during transitions and reducing poverty, in particular among groups most at risk from social exclusion, such as one-parent families, minorities including the Roma, people with disabilities, children and young people, elderly women and men, legal migrants and the homeless. Member states should also actively promote the social economy and social innovation in support of the most vulnerable. All measures should also aim at promoting gender equality.

Poverty and Exclusion in the Western Balkans

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