Strategies to combat poverty and generate decent employment in the European Union

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Summary

There are almost 119 million people (23.7% of the population) in the EU living in poverty and/or social exclusion. This is higher than it was before the economic crash of 2008. More than one in four of all children are in this situation. The rates are considerably higher for older women than for older men. Despite recent increases in employment, 21 million people in the EU (8.2%) are unemployed – 6 million higher than was the case in 2008. Almost half of these are long-term unemployed (one year +). The youth unemployment rate is 22.4%. The rate of working poor (with a job but in poverty) has risen since 2008 and now stands at almost 10 per cent of all those employed.

Countries with well-established social policies in areas such as healthcare, education and housing perform better than others. These are also most likely to have a higher total tax-take.

The present policy approach in the EU is not resolving either poverty or unemployment at the pace required to protect social cohesion. A new social contract, one that is more appropriate to the world of the 21st century, is required if adequate income and meaningful work are to be secured *for all*. Such a social contract should recognise the interdependence of the economic, social and environmental dimensions of policy. They are different sides of the same reality and should be given equal precedence if there is to be a future where nobody is left behind. Delivering such a future will require creative initiatives such as the introduction of a Universal Basic Income system and the recognition of the real value of unpaid work (in the community, in the home, in self-development).

Poverty and Income

The levels of **poverty or social exclusion** are higher in the EU today than they were prior to the economic crash of 2008 even though they showed a slight improvement between 2014 and 2015. In 2015 (the latest for which Eurostat has published data) the numbers affected still amounted to almost 119 million people (EU-28) or 23.7 per cent of the population of the EU (that is, almost 1 in 4 people). There are very great divergences between the countries: differences of the order of 25 percentage points exist between the countries with the highest rates (e.g. Bulgaria, Romania) and those with the lowest rates (e.g. Czech Republic, the Netherlands).

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Amongst the groups most affected are the unemployed, while amongst household types, lone parents have significantly higher rates. There are 21 million people unemployed in the EU (cf. below).

It is important to note that in relation to poverty or social exclusion Europe moved further away from the targets set in the Europe 2020 Strategy in the years following its adoption. The picture that emerges in the 2014-2015 period suggests that, following years of dis-improvement, there is now stagnation or very small improvements in many of the indicators used to measure progress under the Europe 2020 Strategy while some continue to worsen. See Table 1**.**

It is notable that those countries identified by the European Social Policy Network as having a well-established approach to social investment tend to do well at protecting their populations from poverty or social exclusion relative to other countries with a less well developed social investment approach.

In 2015, over 86 million people in Europe were experiencing **income poverty** (measured by the at risk of poverty indicator – 60 per cent threshold), a slight increase on the 2014 rate. In six member states one fifth or more of the population was at risk of poverty.

When we look at the **severe material deprivation** indicator (2016 Eurostat statistics available), there are more than 40 million people (8.1 per cent of total population) in this situation – down from 8.5 per cent a decade ago. There is great divergence across countries, with particularly high rates amongst the newer accession countries. Between 2015 and 2016 the rates fell (albeit very slightly in some cases) in countries within EU-15 – that is, 'old' members of the Union. Of concern however, is the slight rise during that year in severe material deprivation among older people, up from 5.5 to 5.9 per cent.

Children (that is, under 18s) were strongly affected by the economic crisis and their position is one of the areas where there has been greatest deterioration since 2008 – something that has long-term consequences for the people and families concerned as well as for the EU. 25.4 million children were in poverty or social exclusion in 2015 (which is over a quarter of all children). There is great divergence in the rates across the EU and the lowest rates are in the Nordic countries of Denmark, Finland and Sweden.

When we look at income poverty, the 'at risk of poverty' rate among children rose between 2008 and 2015. More than one fifth of Europe's children were affected in 2015 (that is, living below the 60 per cent threshold of median income in their countries). When we look at severe material deprivation (that is, lacking certain key resources) approximately 9.5 per cent of children were affected in 2015, a small improvement on the previous year.

Where **older people** are concerned (those over 65), more than one in 6 were affected by poverty or social exclusion in 2015, representing nearly 16.3 million people (EU-28). Between different countries, there is great variation in the rates, and this is also true in respect of severe material deprivation amongst this group. When we look at income poverty in 2015 (or the at risk of poverty rate, 60 per cent threshold), the highest rates occurred in some of the newer accession countries. Where severe material deprivation is concerned, there is an approximately 40 percentage points difference between the country with the highest rate, Bulgaria (notwithstanding a recent, significant decrease in the rate), and those with the lowest rates, Luxembourg and Sweden.

Rates of both income poverty and severe material deprivation are considerably higher for older women than older men and, because women tend to live longer than men, this means that very much larger numbers of women are affected.

The rate for **working poor** – those who have a job but still live in poverty – has been rising since 2008. In 2014, 9.6 per cent of employed people (aged 18-64) were living under the poverty threshold (EU-28), a slight dis-improvement on the rate for 2013 (9 per cent); this is a negative trend to watch (Social Protection Committee EU - 2016).

When **income inequality** is examined, there is concern about the wide dispersion and growing divergence in inequality between member states (European Commission 2013). The income inequality rate (S80/20 indicator) increased in 16 member states and decreased in 5 (staying static in the remaining 7 countries) between 2013 and 2014.

Financial distress of households (defined as the need to draw on savings or to run into debt to cover current expenditures) is still running at high levels despite some easing of the situation in recent times. Comparing the situation in 2016 to 2007, financial distress for the poorest households is higher in around half of member states. Around 25 per cent of adults in low-income households are in financial distress (European Commission 2016). There is a big range amongst countries: financial distress is much lower for lower-income households in some countries (such as the central European countries of Germany, Luxembourg and Austria) than others (such as Spain France, Italy, Slovakia and Croatia).

TABLE 1 EU-28 KEY POVERTY INDICATORS 2015

	People at risk of poverty or social exclusion		**People at risk of poverty (60% threshold)**		**People experiencing Severe Material Deprivation**		**People in households with very low work intensity**	
EU-28	Number	%	Number	%	Number	%	Number	%
Total population								
	118.82m	23.7	86.6m	17.3	40.32m	8.1	39.6m	10.6
Children (under 18)								
	25.4m	26.9	19.8m	21.1	8.9m	9.5	8.7m	9.3
Older people (over 65s)								
	16.3m	17.4		14.1	5.2m			

			13.2m			5.5	n/a	n/a

Source: Eurostat Online Databases: t2020_50, t2020_51, t2020_52, t2020_53,ilc_lvhl11, ilc_li02, Ilc_mddd11, ilc_peps01.

Employment and Unemployment

Employment has continued to increase in the EU and in the Euro Area since 2014. However, there is great variation between member states in relation to employment levels with a 25 percentage point difference between the country with the highest level (Sweden) and that with the lowest (Greece). Furthermore, there is still a gap between EU average rate and the 75 per cent target set in the Europe 2020 Strategy. There are also a number of issues in relation to how the employment situation has evolved, concerning increased rates of temporary employment, increased part-time employment (much of it involuntary) especially in some member states, and pay levels decreasing or stagnating in many countries especially for disadvantaged groups. Without decent jobs, some workers continue to experience poverty.

When we look at unemployment, 21 million people in the EU28 were unemployed in June 2016 (Eurostat 2016b). There has been a gradual reduction in unemployment since 2013, but it still affects about 6 million people more than in 2008 (Eurostat code une_rt_a). Rates diverge greatly between countries. Greece and Spain had the highest rates in 2015 while the lowest rate was in Germany.

The **long-term unemployment** picture continues to be worrying – around 11 million people or almost half of unemployed people in EU-28 are long-term unemployed. While unemployment has been declining since 2013, long-term unemployment has only recently stopped rising (European Commission 2016a). Long-term unemployment has not affected all groups equally and the low-skilled, the young and young adults as well as workers born in a third country are particularly affected. In terms of age groups, the youngest and oldest workers have been hardest hit by long-term unemployment.

Very steep increases in **youth unemployment** occurred in many countries following 2008. Improvements have occurred in the position in most EU countries between 2014 and 2015. Nonetheless, at the end of 2015 some 4.6 million young people (under 25) were unemployed in the EU-28 (Eurostat une_rt_a). Rates in countries such as Greece and Spain have improved since their extremely high rates in 2013, but, unfortunately, they are still relatively very high. Eurostat figures suggest that in 2015 there were still more that 400,000 young people unemployed in EU-28 than in 2008 (Eurostat une_rt_a).

The long-term unemployment rate for young people has improved but is still higher than in 2008. Twelve per cent of the age group 15-24 (approx. 6.6 million people) was neither in employment nor in education or training in 2015 and this rate is still higher than it was in 2008. Over 14 per cent or some 14 million young people aged 15-29 were in this category. This (known as the NEET rate) is one of the most concerning indicators relative to young people with its indication of detachment and discouragement in relation to both work and education.

One of the most serious divergences between European countries that the crisis and the years following it have highlighted is that there are serious gaps in the social welfare systems of many European countries, which often leave people who are unemployed or long-term unemployed with little or no safety net and cause great hardship in some countries, typically in the south.

The European Commission has noted that some of the Member States that have been most resilient during the crisis have high levels of employment protection legislation, particularly Germany, Sweden, the Netherlands and the Czech Republic (2015a).

Education

Social Justice Ireland's analysis suggests that where early school leaving and third level educational attainment is concerned, progress is being made in reaching targets set in the European 2020 Strategy. However, there continues to be a great deal of divergence in these indicators between different countries. While some countries with high underlying levels of early school leaving (such as Spain and Portugal) have seen significant reductions in their rates in recent years, there is still a very great gap (of approximately 16-17 percentage points) between the countries with the highest rates and those with the lowest.

One of the problems that Europe now faces is that progress not only needs to continue to be made to address the Europe 2020 strategy targets in education, but also to manage problems that have emerged/worsened since 2008 such as the cohort of young people neither in education nor employment (or NEETs). Young people with lower educational levels are more likely to enter the NEET category than those with higher levels.

Overall, many countries still have relatively very low rates of participation in lifelong learning, particularly for low-skilled groups. Several of the countries with the highest rates of participation in lifelong learning are also the world's most competitive (Sweden, Denmark and the Netherlands). There is also much to be done to improve adult literacy in many countries. Taking in additional indicators of lifelong learning and one measure of adult literacy suggests that policies pursued by some countries, seem to impact a range of different groups positively, most notably Finland, the Netherlands and Sweden, and also Estonia and Belgium.

Health

In the years following the economic crisis, many people in EU member states experienced an erosion of healthcare services and those who are poorer have experienced more unmet need than others. The fact that so many countries failed to prevent erosion of health coverage for the most vulnerable people (as seen in rising unmet need, especially amongst poorer households) should be a matter of concern to national and international policy makers in the EU.

Two indicators that we have reviewed suggest that:

- Perception of unmet need for healthcare is greater amongst poorer people in Europe than richer; it has risen most in recent years amongst the lowest income groups; Over 3 million more people reported unmet need for health care in 2014 than in 2009.
- One assessment of the performance of healthcare systems under a range of indicators (from Berteslmann Stiftung) suggests that while the quality of health care is high in most EU countries, there are significant variations between countries with regard both to quality and inclusivity (that is equality of access). Those systems that performed best in 2015 were Luxembourg, the Netherlands, Belgium and Denmark, Czech Republic, Austria and Sweden. Those performing worst were Romania, Latvia, Poland, Bulgaria and Greece.

Taxation

Without raising resources, countries cannot invest in infrastructure and services required to reduce poverty, promote inclusion, increase employment and sustain development. Total taxes as a proportion of GDP (encompassing all direct and indirect taxes received including social security contributions) vary considerably between EU member states. The highest ratios tend to be found in the 'old' 15 members of the EU. At the top end, 7 countries have total taxation ratios greater than the EU average of 40 per cent. They include Denmark, France and Belgium (in 2014). The countries with the lowest ratios were Romania, Bulgaria, Lithuania, Latvia and Ireland.

All countries that have a well-established approach to many social policies (as identified by the European Social Policy Network, Bouget *et al* 2015), have total tax-takes that are above 35 per cent of GDP, and most are also above the EU average.

Countries in Scandinavia and Central Europe tend to demonstrate higher levels of taxation, and better protection of their populations from poverty and social exclusion. Amongst these countries are several deemed the world's most competitive, notwithstanding their relatively high taxation levels. They also include countries that demonstrate the greatest income equality (based on the S80/20 indicator) and that are associated with the highest levels of social justice – that is to say, they create the greatest opportunities for their populations to participate in society in a broad range of areas like education and health services.

In general, countries in the south and periphery of Europe tend to have lower levels of taxation and less well-developed social investment approaches, and higher rates of poverty or social exclusion. Amongst the newer accession countries Czech Republic is notable for its performance in relation to prevention of poverty or social exclusion and it had a taxation ratio just below the 35 per cent of GDP line in 2014.

Conclusions and Recommendations

The most recent evidence shows very great differences in the social situation across European countries and between different groups. Some countries have been more affected by the economic crisis than others, and some countries have been able to benefit more from recent economic improvements than others.

The poverty indicators examined suggest there has been no great improvement in their positon for very many people living in the EU, with dis-improvement observed in the case of some groups. Nearly one quarter of the population was experiencing poverty or social exclusion (over 118 million people) (EU-28). Over a quarter of all children experienced poverty or social exclusion.

Any recovery has yet to be felt more generally across social groups. The picture that emerges is one where levels of poverty or social exclusion are still higher than prior to 2008 while showing a very slight improvement between 2014 and 2015.

Despite recent, welcome improvements, Europe still faces some very significant employment challenges including the fact that there continues to be divergent experiences across countries. Exclusion from the labour market substantially limits individual opportunities for self-realisation, contributes to an increased risk of poverty, and can lead to serious health stresses (Schraad-Tischler 2015). The employment recovery is far from robust in some countries (European Commission 2016).

Where education is concerned, progress has been made in recent years in respect of the Europe 2020 strategy indicators for early school leaving and third level educational attainment. However, there is great divergence between countries. Now progress not only needs to continue to be made in these areas, but also to manage problems that have emerged/worsened since 2008 such as the cohort of young people neither in education nor employment (or NEETs). Additionally, very low rates of participation in lifelong learning and adult literacy, particularly for low-skilled groups, need to be addressed in many countries.

Erosion of universal access to healthcare in many countries since 2008 represents a problem whose effects may manifest most significantly in the longer term. Perception of unmet need for health care is greater amongst poorer people in Europe.

Countries need to raise resources to invest in infrastructure and services in order to promote inclusion and to sustain development. Reviewing the total taxation to GDP ratios of EU countries suggests that countries in Scandinavia and Central Europe tend to demonstrate higher levels of taxation and better protection of their populations from poverty and social exclusion than others.

Divergences in Europe's social situation bring **risks of a breakdown in social cohesion** both within and between countries. Great disparities in wealth and power divide society into rich and poor, powerful and powerless, and this weakens the bond between people and divides society between the lucky and the left out. As one review of developments in social justice in the EU[2] has argued, the gap between opportunities to participate in society in still-wealthy countries of northern Europe and in other parts of the Union, notably the crisis-struck

[2] The study examined six dimensions of the goals of social justice: poverty prevention, equitable education, access to the labour market, social cohesion and non-discrimination, health and intergenerational justice.

southern nations, has widened creating a 'highly explosive situation with regard to social cohesion and social stability within the European Union,' one which if it continues threatens the viability of the entire European integration project (Schraad-Tischler Kroll, 2014).

If poverty is to be eliminated in the EU and everyone is to have meaningful work then at least seven core rights need to be part of the vision for the future of Europe: the right to sufficient income to live with dignity, to meaningful work, to appropriate accommodation; to relevant education, to essential healthcare, to real participation and the right to cultural respect. **Economic development, social development and environmental protection must be recognised as complementary and interdependent – three sides of the same reality -** and all three must be given serious attention rather than allowing economic considerations to dominate as has been the case in practice in many countries within the EU and with the European Commission.

What is very clear is that the present approach in the EU is not resolving either the poverty or the unemployment problems at the pace required to protect social cohesion. While there is strong rhetorical commitment to impacting in these areas, the actual commitment is far from sufficient to generate the required outcomes.

Unfortunately, in Europe, **economic priorities still take precedence over social needs**. There is a perception that European technocrats are insulated from the experience of the poorer people of Europe – something that is corrosive of trust in the whole European project. Leadership at EU level in relation to vulnerable groups will prove critical not just to the future economic and social outlook but also to the democratic future of Europe.

Recommendations

10 Recommendations on tackling poverty and unemployment – directed at UN/EU and international Institutions

1. **Ensure coherence of all policy programmes/proposals and the Sustainable Development Goals** (SDGs) by integrating these into national and international economic processes (such as the European Semester in the case of the EU).

2. **Prioritise the development of a new social contract** that incorporates fairness and equality with respect for human rights and the common good. All the remaining recommendations in this paper could form part of an updated social contract between and among people, institutions and government(s), that would be appropriate for the 21st century.

3. **Broaden the understanding of work:** While there must always be a strong emphasis on generating good job-creation initiatives, it is essential that policy-makers recognise the growing phenomenon of long-term unemployment, precarious, low-paid and part-time employment, along with the growing incidence of people with jobs still living in

poverty. Other forms of meaningful work (in the community, in the home, in self-development) need to be recognised and rewarded.

4. **Move towards a system that would guarantee an adequate minimum income or social floor preferably by introducing a Guaranteed Basic Income.** The current social protection/welfare systems are not fit for purpose in the 21st century. A more appropriate system is required. A Universal Guaranteed Basic Income is such a system; it is affordable and has positive economic and social outcomes.

5. **Prioritise the achievement of minimum standards on social protection measures** (e.g. access to child care, to basic health, to appropriate accommodation) in all states.

6. **Address inappropriate governance structures** that prohibit or inhibit legitimate investment by national governments and **develop structures and processes** for engaging meaningfully with stakeholders representing poorer people and those most affected by the financial crisis and austerity measures since 2008.

7. **Monitor and Address Child Poverty:** Child poverty is such a serious issue that it requires specific targeted action. It is important in this context to realise that it is not possible to address child poverty without addressing family poverty.

8. **Focus on Youth Unemployment:** Youth unemployment continues to be a serious problem despite Youth Guarantee initiatives; it requires more resources to make a significant impact[3].

9. **Support Developments in the Social Economy:** Leadership and support for social initiatives would benefit both people in need of support (through health and social care programmes) and societies generally. It would also require the **promotion of life-long learning**.

10. **Adopt a Human Rights Strategy** to prevent the violation of the human rights of the world's population in the areas of income and work.

10 additional recommendations on tackling poverty and unemployment – aimed at National Governments (and relevant local /regional authorities):

1. **Prioritise Investment in job-intensive areas:** Large-scale, investment programmes that operate in job-intensive areas could assist growth and address social and infrastructural deficits. The focus would need to be tailored to each individual country/ region but might include development of renewable energy sources, health and social care infrastructure, housing, education, life-long learning and early

[3] One estimate of the cost to implement a youth guarantee programme across the Eurozone was €21billion (International Labour Organisation 2012). The estimated loss to society of the disengagement of young people from the labour market is €153billion (2011) corresponding to 1.2% of European GDP (The European Foundation for the Improvement of Living and Working Conditions 2012).

childhood care infrastructure. Inappropriate rules currently blocking required viable investment, need to be adjusted.

2. **Adopt Effective Labour Market Measures:** Activation measures need to focus on supporting unemployed people, aiming to maintain and develop appropriate skills. These should not be accompanied by the threatened loss of welfare benefits or assistance. Employment measures must not be implemented in a way that removes income security and increases in-job poverty.
3. **Strengthen Welfare Systems:** Governments need to introduce social protection schemes that are more resilient and that tackle inequalities within the present systems, ensuring equal access to services and to strengthen social cohesion.
4. **Tackle Low Pay by supporting the Living Wage concept and moving toward a Guaranteed Basic Income System:** Start to tackle low-paid, precarious employment by supporting the widespread adoption of the Living Wage, including giving public recognition to organisations (including SMEs) that commit to paying the Living Wage, and consider moving toward a guaranteed basic income system.
5. **Develop Sustainable Approaches to taxation:** Sustainable and inclusive growth requires approaches to raising revenue that generate enough revenue to support vital services and to move to a social investment approach (where that is absent or insufficiently realised). Measures should not negatively affect low income groups, which means, amongst other things, avoiding increases in indirect taxes on essential items.
6. **Tackle Tax Evasion**: Tax evasion and the grey economy are a problem in some countries where a disproportionate burden of adjustment falls on compliant tax-payers. Tax evasion must be tackled and fair taxation systems introduced in which all sectors of society, including the corporate sector, contribute a fair share.
7. **Consider how Government could become an employer of last resort**: Given the overall trend towards reductions in well-paid employment and its ongoing impact on unemployed people of every age, governments in badly affected countries should consider being an employer of last resort through voluntary programmes framed so as not to distort the market economy.
8. **Ensure Inclusive Governance:** Engage with key stakeholders to ensure that groups at risk of poverty and social exclusion, and unemployed people can influence policy-direction and implementation, and that their experiences become part of the dialogue with government institutions to try and restore social cohesion and political legitimacy.
9. **Poverty Proofing and Monitoring**: All Government decisions should be subject to a poverty-proofing process that ensures actions taken will not increase poverty under any heading or cumulatively impact negatively on any groups. Integrate social impact assessments of cuts to services into decision-making processes that focus beyond

short-term cost saving. Use macroeconomic modelling processes to assess the impact of proposed changes in social policies.

10. **Promote social investment aspects of government policies** to fund measures that promote social cohesion, including support for initiatives such as supporting social enterprises.

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Glossary

SPPM or Social Protection Performance Monitor: A set of indicators known as a dashboard developed by the Social Protection Committee intended to give a comprehensive picture of the main changes in the social situation of Europe and to lead to identifying important trends to watch (negative and positive developments) (Social Protection Committee 2012). They include the headline indicators used in monitoring the Europe 2020 strategy, namely risk of poverty or social exclusion and its three constituent indicators. They also include a number of indicators intended to capture the following: intensity of poverty, income inequalities, child poverty, effectiveness of social protection systems, social consequences of labour market situation, youth exclusion, active ageing, pensions' adequacy, access to decent housing, health.

The **S80/S20 ratio** (also known as the **income quintile share ratio**) is a measure of the inequality of income distribution. It is calculated as the ratio of total income received by the 20 per cent of the population with the highest income (the top quintile) to that received by the 20 per cent of the population with the lowest income (the bottom quintile). The calculation is based on **equivalised disposable income,** which is the total income of a household after tax and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults; household members are equalised or made equivalent by weighting each according to their age.

GINI Coefficient: The Gini coefficient is defined as the relationship of cumulative shares of the population arranged according to the level of equivalised disposable income, to the cumulative share of the equivalised total disposable income received by them.

Europe 2020 Strategy - Adopted in 2010, the Europe 2020 Strategy aims to turn the EU into a 'smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion'. It sets targets to reduce poverty, raise employment, and raise educational levels amongst other things.

European Semester - A yearly cycle of economic policy coordination which involves the European Commission undertaking a detailed analysis of EU Member States' programmes of economic and structural reforms and provides them with recommendations for the next 12-18 months. The European semester starts when the Commission adopts its Annual Growth Survey, usually towards the end of the year, which sets out EU priorities for the coming year. For more: http://ec.europa.eu/europe2020/making-it-happen/index_en.htm

Eurostat – the statistical office of the European Union

GDP - Gross domestic product, which is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation (Eurostat, tec00115)

Household disposable income is established by Eurostat by summing up all monetary incomes received from any source by each member of the household (including income from work, investment and social benefits) — plus income received at the household level — and deducting taxes and social contributions paid. In order to reflect differences in household size and composition, this total is divided by the number of 'equivalent adults' using a standard (equivalence) scale, which attributes a weight of 1.0 to the first adult in the household, a weight of 0.5 to each subsequent member of the household aged 14 and over, and a weight of 0.3 to household members aged less than 14. The resulting figure is called equivalised disposable income and is attributed to each member of the household. For a lone-person household it is equal to household income. For a household comprising more than one person, it is an indicator of the household income that would be needed by a lone person household to enjoy the same level of economic wellbeing. Source: Eurostat Statistics Explained: Living Standards Statistics: http://ec.europa.eu/eurostat/statistics-explained/index.php/Living_standard_statistics

In work at risk of poverty rate (or working poor) - The share of employed persons of 18 years or over with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 per cent of the national median equivalised disposable income (after social transfers) (Eurostat, tsdsc320)

NEET rate - The indicator on young people neither in employment nor in education and training (NEET) corresponds to the percentage of the population of a given age group not employed and not involved in further education or training (Eurostat, explanatory text, Code:yth_empl-150)

OECD - The Organisation for Economic Cooperation and Development, which has 34 member countries.

People at risk-of-poverty - Persons with an equivalised disposable income below the risk-of-poverty threshold, which is often set at 60 % of the national median equivalised disposable income (after social transfers) (Eurostat, t2020_50). The 60% threshold is adopted in the Europe 2020 Strategy. It is also possible to examine incomes at other thresholds such as 40 per cent, 50 per cent or 70 per cent.

People at Risk of poverty or social exclusion - The Europe 2020 strategy promotes social inclusion by aiming to lift at least 20 million people out of the 'risk of poverty and social exclusion'. This indicator corresponds to the sum of persons who are: (1) at risk of poverty or (2) severely materially deprived or (3) living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. (Eurostat, t2020_50)

Severe Material deprivation Severely materially deprived people have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) to keep home adequately warm, iii) to face unexpected expenses, iv) to eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone (Eurostat, t2020_50).

Very Low Work Intensity People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year (Eurostat, t2020_50).

Statistical Issues

A number of issues are to be noted:

Time lag: The main source of comparable data on poverty and social exclusion, the EU Survey on Income and Living Conditions (EU-SILC), has a significant time-lag. Most of the data available as this paper is written relate to 2015, being the latest year for which Europe-wide data are available but some relates to 2014. Data from any given year relates to data collected during the previous year. Thus, there is virtually a two-year time lag in the data.

Indicators: There are different approaches to the measurement of poverty and social exclusion. Under the EU 2020 Strategy, headline targets have been set for reductions in poverty or social exclusion. The indicator, 'poverty or social exclusion' is based on a combination of three individual indicators:

> (1) persons who are at risk of poverty - people with an equivalised disposable income below the risk-of-poverty threshold set at 60 per cent of the national median (or middle) equivalised disposable income (after social transfers) (Eurostat, t2020_50)[4].
>
> (2) people severely materially deprived have living conditions severely constrained by a lack of resources; they experience at least 4 out of a list of 9 deprivation items (See Glossary for the full list). (Eurostat, t2020_50), or
>
> (3) people living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20 per cent of their total work potential during the past year (Eurostat, t2020_50).

Relative Poverty: The first of the three indicators used in the Europe 2020 Strategy, 'at risk of poverty,' is a relative income poverty threshold, which means that it is used to assess poverty levels relative to the national median income, something that relates it to local conditions and that shifts in line with changes in general income/salary levels.
It is also recognised that because relative poverty measures are related to current median (or middle, not average) income, it can be difficult to interpret during recessions when the incomes of all households often decline. In fact where the incomes of all households fall in a recession, but they fall by less at the bottom than at the middle, relative poverty can actually decline. This can mask or delay the full picture of poverty emerging.

Comparable Data: There can occasionally be slight differences of definition and differences of interpretation between national bodies and Eurostat. Using the figures from Eurostat makes it possible to compare like with like across countries.

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[4] The 60% threshold is adopted in the Europe 2020 Strategy. It is also possible to examine incomes below other thresholds such as 40%, 50% or 70%.