

Why the EU should support the proposed EU target to reduce relative poverty by 25% by 2020?

Background

On the 3rd March 2010, the European Commission proposed an EU target to reduce poverty by 25% by 2010, as one of 5 key headline targets within the new Europe 2020 strategy for “smart, sustainable and inclusive growth”. The target was to be based on the accepted EU indicator for relative poverty (60% of the median disposable income in each MS), translated into national targets and action plans and linked to an “EU flagship Platform against Poverty”. In the Spring European Council on the 26th March, Heads of State agreed to a headline target on poverty, as a “shared objective” of the EU, but drew back from agreeing on the specific indicator, highlighting that “further work is needed on appropriate indicators”, delaying the decision until the June Council.

EAPN is concerned that Member States seem unwilling to commit themselves to an EU poverty target based on the accepted EU relative poverty indicator (84 million people). In this paper we set out arguments why an EU poverty target is necessary, why it's feasible and why the target agreed should be the proposed relative poverty target.

Why support an EU Poverty Headline Target?

1. **It's necessary** - The EU cannot ignore the failure of the growth and jobs strategy to reduce poverty - particularly in the context of the current crisis. The EU has already supported clear targets for competitiveness and employment. These must be complemented by a poverty target that makes clear that the EU does not just exist for markets, is committed to combating poverty and social exclusion and ensuring social cohesion, and puts people at the heart. A poverty target would ensure that the EU tackles the social impact of Europe 2020, preventing as well as combating poverty and social exclusion.
2. **The EU has the competence, what's lacking is political will** – the new reform treaty backs the role of the EU in fighting poverty and social exclusion. As pointed out by President Barroso when presenting the Spring Council Conclusion, both Article 151 and Article 153 clarify that the EU has a key role to support and compliment the actions of MS in key areas – including the fight against social exclusion and poverty. These articles, as well as the horizontal clauses and the Charter of Fundamental Rights underline the basis for taken common action at EU level. Other policy areas like education and training, even the Lisbon strategy itself, have similar difficulties over EU competences, but Member States have shown there is the basis for action where there is political will to do so.
3. **It's technically feasible**– EU indicators on poverty have been agreed by the European Council and implemented through the Social OMC since 2001. The proposed relative poverty target was one of the first to be agreed and has been measured annually since this date across all Member States

through Eurostat¹. The target would be backed by the full set of agreed EU and national indicators on poverty and social exclusion.

4. **It allows for Member State variation** – an EU headline target would be translated into individual national targets and indicators, which recognize the different contexts/positions of different Member States, and developed by negotiation with MS and stakeholders.

Why support the Relative Poverty indicator as the EU headline target?

1. It's the accepted, well-known EU headline indicator on poverty since 2001

The at-risk of poverty rate is the reference indicator at EU level, endorsed by the European Council in 2001 and used as the main headline indicator for more than 10 years in various processes (Social OMC, Structural Indicators, Sustainable Development Indicators etc). It is also the indicator most quoted and best known by the EU public and the institutions, used by Eurostat to quantify poverty in Europe (currently 17% or 84 million people). In this context, it is difficult to understand why it would **not** be used as the main indicator.

2. It's robust, reliable and credible as a comparative indicator across the EU

Based on 60% of the median disposable income – the indicator is easy to calculate and reliable in its findings. When concrete income levels are put to the at risk of poverty thresholds, the levels are generally consistent with public perceptions of the extent of poverty in each country, making cross-country comparisons feasible and credible (eg at risk of poverty thresholds in Belgium or Germany are 900 euro a month, 650 euro in Spain, 400 euro in Portugal or 240 euro in Slovakia – reflecting national perceptions of poverty levels).

3. It measures poverty in terms of relative position in the society in which we live – linked to inequality

The 3rd priority of the new 2020 strategy is “inclusive growth” aiming to ensure that the “benefits of growth and jobs are widely shared and that people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society”. This reflects an understanding of poverty as a relative condition – to a specific time and space. Such a definition recognizes that what is needed to “participate and have a dignified life” varies according to the conditions of each country (ie comparing what is needed in for example Sweden and Latvia). Poverty levels will mirror the income inequality gap – so reducing inequality will positively impact on relative poverty.

4. Other indicators are useful complements, but cannot substitute for the relative poverty rate

Some Member States have proposed a target based on alternative indicators including: the EU “material deprivation indicator” or the “anchored in time poverty rate”. Both these indicators are useful – but have serious flaws as headline indicators or targets:

¹ See Portfolio of Common Indicators for monitoring social protection and social inclusion 2009 - <http://ec.europa.eu/social/main.jsp?catId=756&langId=en>

- *Material Deprivation Indicators*: At the moment there is no agreed EU definition or indicator of absolute poverty. Material deprivation indicators² have been provisionally agreed since 2009 estimating the proportion of people with severe lack of resources. This is currently a very limited set of items. Further work is needed. Although the indicators give a vital picture of lacks in a set of goods/services, they make a series of normative assumptions about what is a necessary level of services and goods across the EU, which needs to be placed in a relative context.
- *The anchored in time poverty rate*³ or “semi-absolute” indicator lacks clarity and sound methodological foundations and is difficult to understand or defend politically. It is very sensitive to the impact of growth on income levels, and doesn’t chart the impact of anti-poverty policies. When introduced in France as main target, it provoked strong negative reactions from NGOs and other groups who failed to understand why poverty under this definition appeared to have declined whilst relative poverty had increased.

5. Monitoring must be linked to the full range of poverty indicators – including material deprivation indicators to highlight the full reality of poverty at national level

The relative poverty indicator is only one of the indicators necessary to chart the complex phenomena and multidimensional experience of poverty and social exclusion. Member States, through the Social OMC, have developed a sophisticated battery of indicators which must be fully utilized to measure the impact of policies. These include material deprivation indicators, but also measures of persistence and depth of poverty, in-work poverty⁴.

A full dashboard of indicators building on the agreed indicators will be a vital complement to monitoring delivery at national and EU level.

Conclusion

The Commission’s proposal to establish a target to reduce poverty by 25% by 2020, based on the accepted **EU relative poverty indicator (60% of the median income)**, is a realistic step towards the promise made by the EU to make a decisive impact on the eradication of poverty and social exclusion by 2010. We urge Member States to move forward in June to agree the proposed EU target to reduce poverty by 25%, confirming their commitment to make progress on a more social Europe.

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² Material Deprivation indicators provide an estimate of the percentage of the population that cannot afford at least 3 of 9 items (cannot afford to pay rent, mortgage or utility bills, keep their home adequately warm, face unexpected expenses, eat meat or proteins regularly, to on holiday, afford to buy a television, washing machine, car or telephone.

³ Anchored poverty rate currently defined as percentage of people living under the poverty threshold kept at its 2005 value, up-rated by inflation.

⁴ See Portfolio of Common Indicators 2009 - <http://ec.europa.eu/social/main.jsp?catId=756&langId=en>