**What is poverty and how do we combat it?**

***1 What is poverty?***

*People experiencing poverty and social exclusion do not have adequate income, resources and access to public and private services that are fundamental to a decent life. Poverty can prevent full personal and family development and participation in social life. Poverty deprives society of people’s full potential to contribute to it. When people cannot access the living standard and style of life considered acceptable in the society in which they live, they face more difficulties in living a life in dignity, without shame, stigma or fear.*

*People in poverty are rarely passive. They are resilient and resistant.*

*Poverty is a denial of fundamental human rights – economic, social and cultural. There is a moral and political imperative to challenge and change it, with and for people at risk of poverty and social exclusion.*

**2 Multidimensional poverty and social exclusion**

**Multidimensional poverty**

The concept of multidimensional poverty addresses the experience and impact of poverty on people’s path through life. **People experience poverty as many deprivations, not only as ‘not enough money’ – or other things, but experiences, opportunities, services and environments that others accept as normal**. These deprivations may include unemployment and poor work, financial resources, access to quality education and health care, social integration, family support, accommodation and residence status. People in poverty may also suffer stigma, shame, discrimination, isolation and exclusion from social life, negative consequences of tightly constrained or short-term decisions, poorer mental and physical health and shorter life expectancy. The subjective experience of material deprivation may be different in different societies – for example, where the majority of people share your experience, compared to a situation where many people are much richer or poorer than you.

Poor areas, often in disadvantaged urban quarters of large towns and cities or in more remote rural areas, also increase risks of multidimensional poverty and exclusion. These are places and spaces that lack much of the usual infrastructure; of transport and well-paid work, social services, good schools, leisure, cultural and community spaces; they may have greater environmental hazards and pollution. Children living in such poor areas from an early age may be especially disadvantaged by highly segregated institutions which reproduce social inequality and unequal opportunities.

The impact of multidimensional poverty can be moderated in its effects by personal, relational, social and cultural factors that support or diminish coping, resilience and resistance. Frequent spells of poverty, very deep poverty or persistent poverty (i.e., lasting a long time), can weaken peoples’ resilience, reinforcing their poverty and isolation.

**EAPN view**: the concept of multidimensional poverty is essential in recognising the wider psychological, social and cultural as well as economic effects of poverty and that they are inter-related and cumulative.

**Social exclusion**

**Social inclusion and exclusion are about people’s relationship to others in society. Just as material poverty is about the ‘up’ and ‘down’ in society, social exclusion is about the ‘in’ or out’.** *Just as poverty can be absolute or relative, so can social exclusion – a distinction between a weakening, or a complete rupture, of social ties*. People can be pushed to the margins, pushed out from a place where they stood before, experience alienation, and be stigmatised and discriminated against by others for being ‘different’. Risks of social exclusion are created in three dimensions*: state, especially the welfare state including social protection and social assistance; family and community links; and markets, especially labour markets*. These dimensions are inter-related in their effects, but one dimension cannot completely substitute for another in supporting people to participate fully in society.

In the EU, social exclusion as a concept emerged in the 1970s, It arose from concern about the impact of exclusion from paid work due to the gaps in many EU countries’ social insurance systems, which excluded long-term unemployed people. As well as losing their job and not being able to get another one, long-term unemployed people were at risk of not being covered by unemployment insurance or other welfare state payments and of exhausting their family and community ties, which was all they had left to rely on. They risk suffering complete exclusion from the ‘welfare triangle’ of inclusion in family and community, state and markets. More recently, it has been better understood that people at risk of discrimination on the basis of their age, race, ethnicity, religion, gender, sexual identity, disability or class, are also more at risk of exclusion from some or all of the dimensions of family and community, state and markets.

**EAPN’s view**

The concept of social exclusion is essential in recognising that people are pushed out, or to the margins, and don’t just fall out, and that the kind of social relations a society has, are central to risks of poverty and exclusion. The concept of social exclusion is necessary to developing effective approaches to combating poverty. At its core, social exclusion recognises the role of the state in providing an effective rights-based framework for preventing risks of poverty and their consequences.

**3 Who is more at risk of poverty?**

Children; women, (a bit more at risk than men); single parent households; young people aged 18-24; people with limited educational qualifications; people with a disability; some minority ethnic groups especially Roma people; refugees and asylum-seekers; migrants from outside the EU and people from one EU country living in another. People in retirement are at greater risk than the general population only in Estonia, Latvia, Lithuania and Bulgaria, mainly due to the characteristics of the pension system and age structure and the gender pay gap, which translate into a pension gap.

One of the five headline indicators of the Europe 2020 strategy is to reduce poverty by lifting at least 20 million people out of the risk of poverty *or* social exclusion by 2020. The most recent data show that fewer than five million people have been lifted out of poverty.

**4 How many people are at risk of poverty or social exclusion in the European Union?**

*Nb: Sections 6 and 7 of this paper explain how the EU measures poverty and the limitations, especially for multidimensional poverty and social exclusion*

In 2017, 112.8 million people in the EU lived in households at risk of poverty or social exclusion, 22.4% of the population of the EU. 16.9% of the EU population were at risk of poverty after government social transfers (excluding pensions). 9.5% of the population aged 15-59 years lived in households with very low paid work intensity, i.e., they did paid work for 20% or less of their potential work hours in the previous twelve months. 6.6% of the EU population were severely materially deprived, i.e. they lacked four or more in a list of nine basic items.

A close up of a logo

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The most common form of poverty is income poverty. In 2017, 53.5 million people in the EU-28 lived in households that faced income poverty, but not severe material deprivation or low work intensity. 7.1 million people lived in households that faced all three risks; 26.5 million people lived in household that faced two out of the three risks.

There was a fall in overall at risk of poverty or social exclusion between 2016 and 2017; it is now at the lowest level since 2010. The change has been driven mainly by falls in unemployment in some Member States, which improved the indicator of low work intensity. At the same time, income poverty in the EU rose slightly.

The overall figures mask a lot of variation between Member States. The share of poverty or social exclusion is calculated as a weighted average of national results. In 2017, more than a third of the population were at risk of poverty in three Member States: Bulgaria, Romania and Greece. The lowest shares were in Slovakia, Finland and Czechia - the lowest share at 12.2%. Poverty rose slightly in Austria, the Netherlands, Denmark and Luxembourg.

Compared to the general population (22.4%), children are at greatest risk of poverty (24.9%). The rates range from 15% in Denmark and Czechia to over 40% in in Bulgaria and Romania. Statistically, the main factors affecting child poverty are: labour market and educational status of parents; composition of household (e.g. lone parent families) and effectiveness of government intervention through income support and service provision. The more vulnerable children, such as those with parents who are migrants, will require specific support.

**5 How do we know how many people are poor? - measuring poverty**

**Economic poverty is the dimension of poverty with the most well-developed thinking on how to measure it.** It can be *measured indirectly, as income*, or *directly, as lack of specific material goods and services, though measures of access to services are less well developed.*

The ***threshold*** that defines *who is poor and who is not*, can be set in two main ways:

1 It can be an ‘*absolute’ or fixed standard* – an amount of money (income) or a costed basket of goods and services (expenditure) that an individual or household needs. This ‘absolute’ standard can be fixed at some very basic level of survival, or, fixed at a level for a ‘decent life’. The decision about what is basic or decent is often left to scientific experts, or political decision-makers. In fact, all absolute/ fixed standards of deciding who is poor are only ‘fixed’ in a social context: even the calories needed to survive and from what source, have cultural, social and economic dimensions.

**EAPN’s view:** We support the use of a fixed standard as one of the ways to measure poverty. But the decision about what constitutes a decent life, which informs that standard, must include a process of social consensus that engages people with experience of poverty as well as wider society.

2 It can be a *‘relative’ standard***.** *This means it compares incomes (or budgets) of some people against all others in a country or region*. So, if living standards rise in a country, so does the standard for deciding who is poor. The same is true if incomes fall – the standard falls.

**EAPN’s view:** We support the relative approach to measuring poverty. We need relative as well as fixed standards. All people have the right to share in any general increase in wealth. To make good policies, we need to know what is happening to the distribution of incomes in society. But because living standards can rise or fall faster than socially accepted needs, and because even in the EU there are people at risk of not achieving even their most basic needs, we also need fixed standards.

**6 EU poverty indicators**

**The EU indicator of monetary or income poverty**

Concepts of poverty have to be translated into things we can measure using data we have collected. Indicators summarise precisely the representation of statistical data for a specified time period, place or any other relevant characteristic.

The EU threshold for deciding who is income-poor is set at *60% of median household income*, modified to take account of the differing *compositions* of households (i.e., how many adults and children of different ages live in the household). ‘Median’ is the middle income between top and bottom ranked by income. This means a given population is divided into two halves; one half earns more than the middle income and the other half earns less. So people in the EU are defined as poor, if they live on less than 60% of what the middle household gets.

It is important to know too, how deep or intense is poverty. The EU defines people as *severely poor*, if they live below 40% of the middle household’s income.

While the thresholds the EU uses are arbitrary, they have been used for many years, are well understood and the data are available to compare countries and over time.

**EAPN’s view**

* We support the continued EU use of the 60% of median income monetary poverty indicator (known as AROP: i.e., at-risk-of poverty)
* We also want an indicator of **extreme poverty**, because there are millions of people in the EU who cannot meet basic needs. But there is work still to be done to get good comparable data.

**The EU indicator of material deprivation (lack of goods and services)**

In EU countries where all incomes are relatively low, the threshold of 60% of median income can mean people have very little money and suffer severe **material deprivation**. It is important to know how people are actually living – *what households lack, because they cannot afford it (and not because they do not want it), that we believe all European households should have and be able to do*. For this reason, the EU also has a measure of both material deprivation (until 2020, this is defined as being deprived of three in a list of nine items) and severe material deprivation (until 2020, this is defined as being deprived of four or more items). The items include meals with meat or fish every second day, a week’s holiday away from home, basic durable goods including a washing machine, telephone, car and TV and being in arrears on rent or mortgage, utility bills, hire purchase instalments or other loan payments.

Deprivation indicators are more challenging than monetary income indicators to compare across countries and over time, but they give us important information about how people are actually living that helps us to a better understanding of what is poverty.

**EAPN’s view**

* We support the continued EU use of an indicator of material deprivation because i) EU countries differ so much in general living standards and ii) because although results for material deprivation show the same groups at risk as for monetary poverty, the degrees of risk are different: e.g. young people and retired people show higher levels of material deprivation than of income poverty in some countries.
* The deprivation indicators and the monetary income indicators provide *complementary* information about how people at risk of poverty are living, and how that is changing compared to people not at risk of poverty. Therefore **EAPN supports the continued use of both monetary poverty and material deprivation indicators to warn us who is at risk and help decision-makers to make better policies**.

**7 The EU approach to measuring multidimensional poverty and social exclusion**

The EU’s composite indicator of relative poverty and social exclusion (*AROPE: at-risk-of-poverty and/or social exclusion*) is composed of three elements and being included in any one of the three elements means being at risk of poverty or social exclusion. These three elements are: income poverty (living below 60% of median income); severe material deprivation (defined as: deprived of four or more items out of nine deemed necessary to live modestly but decently in the EU) and severe low work intensity (households in which adults last year worked for pay only 20% or less of their potential working time). It is important to know too, who is multiply at risk - in two or all three dimensions - so the EU provides also the data on multiple risk.

There are limitations to the data and how being at risk is defined. Two examples are: people aged sixty and older are excluded from the low work intensity indicator. There is no consistent EU wide data available for risks by race or ethnic origin.

**EAPN’s view:** AROPE *(at-risk-of-poverty and/or social exclusion)* is limited as an indicator of multidimensional poverty and exclusion. It is useful in extending our information about risks of poverty and therefore what needs to be done to combat it. But, combining its three dimensions for each Member State and comparing each to the ‘average’ for the EU, can disguise big differences, within and between countries. It can be ‘gamed’ by national governments, who are not required to use all three dimensions of AROPE in achieving their contribution to the poverty target of a 20 million reduction by 2020 in people at risk of poverty. EAPN’s view is that post-2020, all EU governments must use the full AROPE indicator.

The current AROPE *(at-risk-of-poverty and/or social exclusion)* misses many aspects of multidimensional poverty and exclusion. A more comprehensive measure is challenging to design and to get good data, but the EU is making some positive steps forward.

**Post-2020 EU measure of ‘social and material deprivation’**

After the current EU social strategy ends in 2020, the EU’s material deprivation measure will be replaced by a thirteen-item **‘social and material deprivation’** measure (lacking five will count as deprived). There will be a special indicator for children comprising of seventeen items.

The post 2020 AROPE indicator edits and updates some of the material items and *takes more account of autonomy and participation in social life, as well as goods and services*: for example being able to meet with friends once a month for a meal or drink or being able to spend a little money on oneself without asking anyone first.

**EAPN’s view**

* We support the move to an indicator of social and material deprivation because it reflects better some of the emotional and relational aspects of people’s experience of poverty and social exclusion, which can be very debilitating and inhibit capacity to exit from poverty or fully integrate into wider society. Social exclusion may be particularly damaging to children who have fewer educational opportunities and pathways towards adult life.
* We support the continued use after 2020, of the (improved) EU AROPE indicator, which is one of the indicators for the European Pillar of Social Rights.
* We have still a long way to go (from concept to data), to get comprehensive indicator(s) of multidimensional poverty and social exclusion. We want the indicator(s) further improved, by getting data and measures that are more inclusive and realistic than they now are. As a start, we want the EU to:

1. Include information on especially vulnerable groups such as people in institutions as well as people who are homeless, so not only a survey of households
2. Get data to fully address the link between all kinds of discrimination and risks of multidimensional poverty and social exclusion
3. Change the ‘equivalence scale’ used to adjust for the size of households so that it better accounts for the costs of additional adults and children; the modified OECD (Organisation of Economic Cooperation and Development) scale now used by Eurostat, is less generous than the previous OECD scale
4. Address access to services in the measure of poverty.

**8 Preventing and mitigating poverty and social exclusion**

EAPN exists to engage in combating multidimensional poverty and social exclusion. Poverty is experienced by individuals and families and is affected by levels and types of economic development. But it is also caused by social and political choices and histories. There is plenty of evidence to show that in relatively rich Europe, poverty and exclusion risks are greater where the whole country is poorer, but especially where the welfare state is least developed. Risks are also greater in European countries that have relatively high income and wealth inequality, which damages the trust and solidarity that is necessary for effective politics and a good society. These are often those states with a neoliberal perspective on how societies should organise themselves. This means they are prone to individualise risk and the responsibility for protecting oneself from risk. It may be that risk is measurable and can be forecast and therefore moderated or prevented. But there is much uncertainty in our real world, especially in periods of big change. By definition, this cannot be forecast and cannot easily be individually protected against; it requires a welfare state, which provides a collective and rights-based-capacity to prevent and mitigate poverty and exclusion.

There are **key social assets that states must ensure to promote inclusion for every individual and household: universal access, free or at low cost at the point of use, to: education, housing, professional integration, social protection and social services and healthcare**. People also need equal access to social, transport and technology networks in order to make best use of these assets.

EAPN supports people’s equal right to access these assets in order to minimise their chances of being in poverty or exclusion and maximise their opportunity to do the best for themselves, their families, households and communities and to combat all types of discrimination. Societies with the best provision of these assets have progressive taxation systems that contribute to social justice and promote and enable high social quality. They are best at preventing poverty and social exclusion. In the EU, overall, the Nordic countries have the best legacy. But in all EU countries, to different extents, there have been ‘austerity’ cuts, which have particularly affected women and children. There is roll-back in provision of key social assets, tightening of access to them and severe market failure, especially in labour and housing markets. This has put ever greater and unsustainable pressure on individuals, their families, households and communities. Uncertainty is high, change is rapid, social wealth has diminished and with it, social cohesion. The impact is greatest for those most at risk of poverty and social exclusion. EAPN calls for a new social and sustainable vision for Europe; one that includes full participation for all its people, based on fundamental and equal economic, social and cultural rights for all. EAPN will play its part in building it.

**9 EAPN’s recommendations**

The 2020 strategy for cutting poverty did not succeed: only five million of the modest 20 million target for cutting poverty has been achieved. There have been better achievements in some other 2020 targets, for example in reducing rates of early school leaving and increasing rates of university level education. But poverty is so damaging to people experiencing it and to aspirations for social quality and social justice that it must really become a national and European priority to end poverty and social exclusion. It requires all parts of society to join in preventing and combating it. But fundamental to successfully combating poverty and social exclusion are:

1. **An integrated rights-based anti-poverty strategy to guarantee a dignified life**. This requires a concrete action plan founded in the principles of the European Pillar of Social Rights and addressing the Sustainable Development Goals, of which priority number 1 is to end poverty in all its forms. The strategy should:
   1. be developed with people experiencing poverty and people who work with them. It should guarantee access to quality jobs, services, social protection and adequate minimum income. It should ensure active participation for those not able to do paid work or get decent paid jobs
   2. be founded on legal human rights, dignity and equality for all. There should be specific attention paid to equal treatment and positive action for women and disadvantaged minorities, addressing age, race, ethnicity, religion, gender, sexual identity, disability and class. The strategy must recognise and address the intensity and cumulative disadvantage arising from intersectionality amongst different dimensions of disadvantage
   3. will require additional, targeted action to reach those individuals and groups most at risk. It will build on existing EU approaches – e.g. Investing in Children, Tackling Homelessness and Housing Exclusion. Roma Inclusion, Integration of Migrants and UN rights of people with disabilities.
2. **Guarantee the right for all to a decent income, through the life course**.

This will require:

* 1. quality jobs and investment to create sufficient of them, and an effective fight against poor work and in-work poverty
  2. decent Minimum Wages, that prevent poverty in work
  3. Implementation of employment rights-based contracts and regulation of precarious work. Publicly funded employment services must be given sufficient resources and trained staff to provide a person-centred and inclusive service
  4. adequate, accessible and enabling minimum income as a social safety net for all. A Directive based on common definitions and methodology that aims to guarantee at least 60% of median income in the country concerned is central to an effective safety net in the EU. It must be benchmarked using reference budgets to the cost of a real basket of goods and services, with additional allowable costs to meet the needs of people with disabilities, lone parents, other groups with additional needs
  5. strengthening trades unions and collective bargaining to enable workers to access and defend their rights, especially in the context of potentially exploitative new ways of work
  6. universal social protection against all risks, regardless of employment status. It must cover unemployment, sickness, pensions and also health, education and care. It must ensure cover for the self-employed, whose incomes are on average lower than those of employees
  7. urgent action to reduce over-indebtedness: strengthening consumer protection law, regulating loan and debt recovery agencies/methods and guaranteeing a right to independent debt advice and right of redress.

1. **Invest in affordable good-quality services**.

This will require:

* 1. a legal right to essential services
  2. service provision that is accessible to people living on low incomes and to all groups at risk, including a comprehensive plan to tackle discriminatory and unequal access to services
  3. priority investment for early childhood care and learning; universal education and life-long learning and universal health and care services
  4. Regulation to ensure access to good food, energy and clean water is affordable and accessible to people at risk of poverty and exclusion
  5. ending homelessness and ensuring affordable housing for all. Core to this are a ‘housing first’ strategy; social housing at genuinely affordable rents and housing allowances that cover real costs.

1. **Tackling inequality**.

Inequality is a central driver of risks of poverty and social exclusion. There must be an explicit strategy to manage inequality and to provide sustainable finance for universal provision of health, education and social protection as well as infrastructure investment. This will require:

* 1. promoting tax justice. This will include progressive taxation of income and wealth of individuals and corporations, property and inheritance tax, and elimination of tax avoidance and tax evasion
  2. minimising taxes that are regressive on low income people, including value added and other consumer taxes as well as regressive charges for medicines, public transport and learning, culture and leisure services
  3. ensuring there is no regressive social impact from environmental taxes
  4. generating more tax revenue from undertaxed areas, for example digital tax and financial transactions tax, and levelling the tax liability for digital and ‘bricks and mortar’ businesses, including small businesses.

1. **Support for a vibrant civil society and decision-making that listens and responds to people who are at risk of poverty and disadvantage.**

A strong and widespread civil society is an essential part of a well-functioning democracy. It adds value to representative democracy, through constructive dialogue, signposting key challenges and contributing to effective solutions. Civil society organisations support empowerment of disadvantaged groups, including in decision-making that affects their lives, and help to deliver good services to all parts of society, in all parts of any country.

An effective strategy will:

* 1. embed regular dialogue and feedback at local, national and EU level, monitor its effectiveness and adapt where needed to improve effectiveness
  2. enable an effective contribution to ex-ante assessment of policy and ongoing delivery
  3. agree obligatory guidelines and invest in participatory methods, capacity-building and awareness-raising
  4. ensure that finance for the not-for profit sector is adequate and prioritize access to funds to deliver innovative and effective services to combat poverty and exclusion.

1. **Economic policies for just and sustainable development**.

Economic and social policy must be mutually sustaining and sustainable. At present the macroeconomic framework often undermines delivery of social rights and sustainable development. An effective strategy will require:

* 1. an end to ‘austerity’ economics, which is theoretically weak and outdated and lacking good evidence. It has not delivered on the ambition of rebalancing finances and delivering growth, but has seriously damaged public services and social cohesion
  2. ex-ante assessment of the distributional impact of all policies to ensure that they actively contribute to reducing poverty, exclusion and inequality and promote well-being and sustainable development
  3. recommendations for the EU include: transforming the European Semester into a European Semester for Social and Sustainable Development; moving on the European Pillar of Social Rights from aspiration to implementation; adopting the Sustainable Development Goals, adapted to the European environment, and transforming the Stability and Growth Pact into a Stability and Well-being Pact.