

# THE SOCIAL DIMENSION OF THE EUROPE 2020 STRATEGY

A REPORT OF THE SOCIAL  
PROTECTION COMMITTEE (2011)

## SUMMARY



Social Europe



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The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

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A REPORT OF THE SOCIAL  
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**SUMMARY**

**European Commission**

Directorate-General for Employment, Social Affairs and Inclusion

Unit D.1

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# Table of Contents

<b>Introduction</b>	<b>5</b>
<b>The target for poverty reduction and social inclusion</b>	<b>6</b>
<b>Poverty and social exclusion in the EU: state of play and recent trends</b>	<b>7</b>
At risk of poverty rate	8
Severe material deprivation	9
People living in households with very low work intensity	9
Who is at risk of poverty and exclusion?	9
Improving measurement of poverty and social exclusion	10
<b>Policies to prevent and reduce poverty</b>	<b>12</b>
Promoting inclusive growth	12
Active inclusion strategies to underpin employment measures	12
Education and skills as determinants of social inclusion	13
Sustainable and adequate social protection	14
Social inclusion policies	15
EU financial instruments to combat poverty	16
<b>The way forward – main messages</b>	<b>17</b>
Find out more	20

## **The Social Protection Committee**

The SPC has been bringing together representatives from EU Member States and the European Commission since 2000. It is a high-level policy forum which allows Member States and the European Commission to work together and exchange ideas as part of the Social Open Method of Coordination (Social OMC). The SPC prepares reports, formulates opinions and undertakes other work within its fields of competence, at the request of either the Council or the Commission or on its own initiative. As of 2011, it also compiles an Annual Report assessing social aspects of the Europe 2020 Strategy.

## **The Social Open Method of Coordination**

The EU approach to social policy is based on the OMC. This is a mechanism for coordinating Member State social policies. The aim is to move towards common European goals through a process of policy exchange and mutual learning while allowing Member States to define their own policies for achieving these goals. Under the Social OMC, Member States draw up national action plans, outlining priorities and planned actions. The European Commission supports and monitors progress on the basis of common objectives, indicators and standards. In 2011, the objectives and working methods of the Social OMC will be adapted to fit the aims set out by the Europe 2020 strategy of smart, sustainable and inclusive growth.

# Introduction

Europe 2020 is the EU's growth strategy for the coming decade. It will enable the EU to become a smart, sustainable and inclusive economy.

Its success depends on actions in all of its priority areas supporting each other. This should enable the EU and its Member States to deliver high levels of employment, productivity and social cohesion.

Concretely, the EU has set five ambitious objectives - on employment, innovation, education, social inclusion and climate/energy - to be reached by 2020. Member States will adopt their own national targets for each of these areas. Concrete actions at EU- and national-levels will underpin the strategy.

The SPC has published a report assessing social aspects of the Europe 2020 strategy. This leaflet provides a summary of this 2011 Report.

# The target for poverty reduction and social inclusion

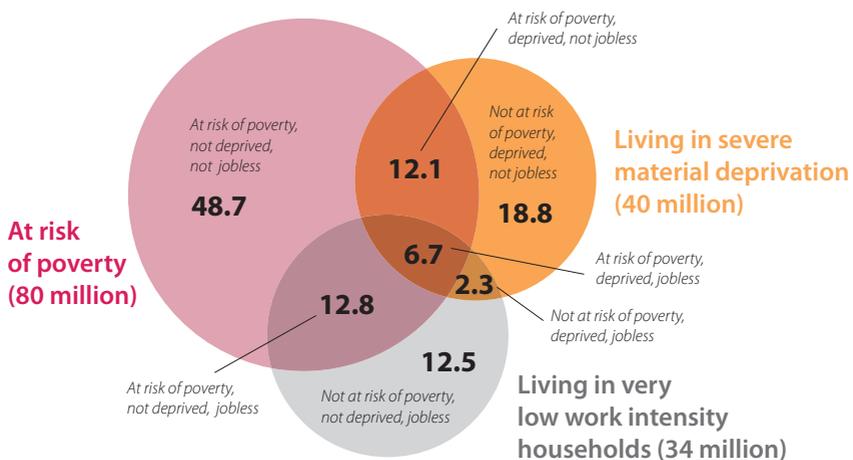
One in five people in the EU is at risk of poverty or social exclusion. Such a high number of people living on the margins of society undermines social cohesion and limits Europeans' potential. This is particularly damaging in a period when Member States are working to ensure recovery from the economic and financial crisis.

EU heads of state and government are committed to lifting at least 20 million people away from the risk of poverty and social exclusion by 2020. To reach this goal, Member States have to set national targets in line with EU aims and adopt measures to meet them. This will ensure that fighting poverty forms a key part of the overall recovery strategy.

# Poverty and social exclusion in the EU: state of play and recent trends

The European poverty and social exclusion headline target has been set on the basis of three combined indicators – the number of people at risk of poverty, levels of severe material deprivation and numbers of people living in households where under-employment features prominently. These indicators address the various features of poverty and exclusion across Europe and the differing situations and priorities among Member States. Together, the three indicators reflect the Europe 2020 strategy’s aim of ensuring that the benefits of growth are widely shared and that people currently on the margins can play an active part in society.

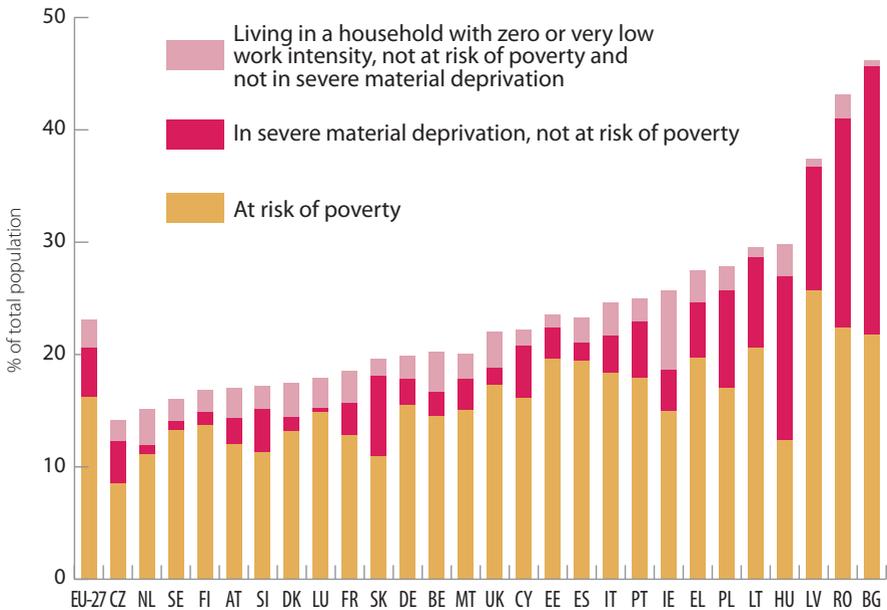
## 114 million people at risk of poverty or exclusion (2009)



Source: EU-SILC (2009) – Income reference year 2008

Note: Income data and low work intensity data refer to the previous year (2008) except for IE - 2008-2009 and UK - 2009. Material deprivation data refers to the survey year (2009)

## Shares of people at risk of poverty; in severe material deprivation but not at risk of poverty; and living in a household with zero or very low work intensity but neither at risk of poverty or in severe material deprivation; 2009



Source: EU-SILC (2009) – Income reference year 2008, except IE (2008-09) and UK (2009)

Monitoring of progress towards this goal will be based on past trends of numbers of people at risk of poverty or exclusion, both for the total population and for the main groups at risk.

## At risk of poverty rate

People whose disposable income is less than 60% of the median for their country are considered to be at risk of poverty. This is a relative measure of poverty, linked to income distribution and taking account of all sources of monetary income. National-level employment, education and welfare policies aimed at fighting poverty can thus have a considerable impact on risk levels.

Poverty risk levels vary according to the different living standards across the EU. Poverty thresholds are four to five times higher in the Netherlands, Austria and Cyprus than in Romania and Bulgaria.

## Severe material deprivation

This indicator describes the situation of people who cannot afford commodities considered essential for a decent life in Europe. It reflects both distribution of resources within a country as well as differences in living standards and GDP per capita across Europe. On average, 8% of Europeans suffer severe material deprivation, but rates for some countries reach 30%.

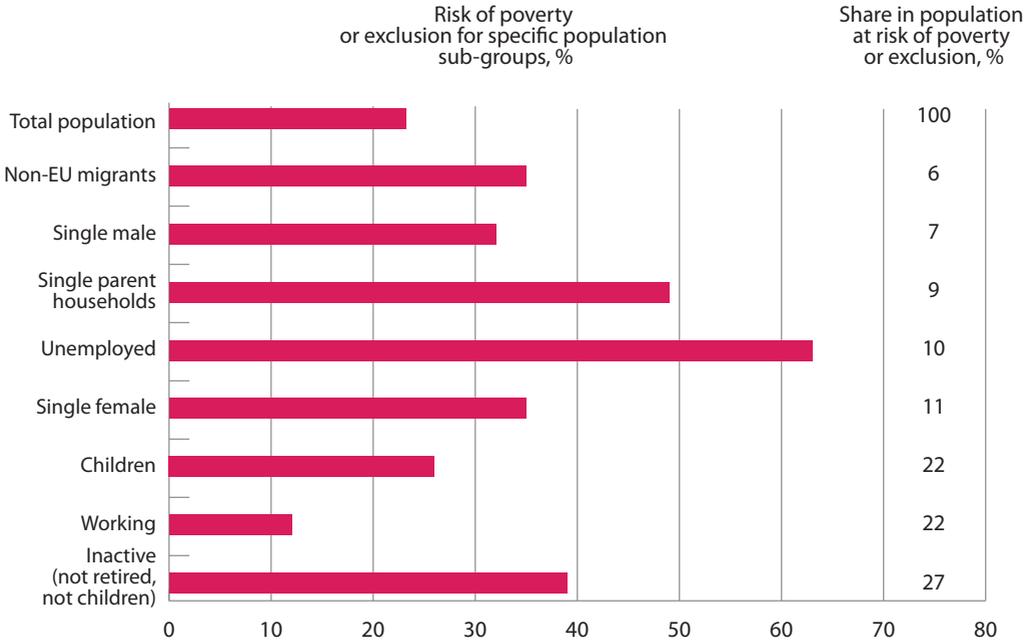
## People living in households with very low work intensity

This indicator describes the situation of people who live in households in which nobody works (or in which household members work very little), but who are not necessarily living on a very low income. A job remains the best safeguard against poverty and exclusion. The poverty risk faced by unemployed working-age adults is more than five times that faced by those in work (44% against 8%) while that for the inactive (excluding retired people) is three times higher than that for the employed (27% against 8%). Use of this indicator reflects Member State efforts to tackle exclusion from the labour market.

## Who is at risk of poverty and exclusion?

Children, the elderly, single women, lone parents, the low-skilled, the unemployed, inactive people of working age including those with disabilities, people living in rural areas and migrants face the highest risk of poverty or exclusion. Ethnic minorities, including the Roma, cannot be identified through official EU statistics but some national sources indicate that they also face a high risk of exclusion.

## Risk of poverty or exclusion of the main groups at risk and share of these groups in total population at risk EU-27, 2009



Source: EU-SILC (2009) Income reference year 2008 except IE (2008-09) and UK (2009)

Reading note: 63% of the unemployed are at risk of poverty or exclusion and they represent 10.5% of the population at risk of poverty or exclusion.

## Improving measurement of poverty and social exclusion

Further work on indicators is required to fully reflect the multidimensional nature of poverty and social exclusion and better assess the role and effectiveness of policies to combat them. More accurate measurement of poverty, labour market exclusion and the impact of tax and benefit systems is needed.

### *Learning from peer reviews: Belgium's use of reference budgets*

A recent study entitled “Minibudgets: What is the necessary income to live a life in dignity in Belgium?” set out a realistic monthly basket of products and services in order to determine the necessary budget for given types of household. The researchers focused on products and services considered essential for health and independent living. An interesting aspect of the study was that it enabled people in poverty to give feedback on results obtained using a scientific methodology.

Development of reference budgets can help to assess the adequacy of minimum income levels and could support social and financial counselling. In order to be accurate, reference budgets should be determined on the basis of scientific data with input from a broad cross section of society, including people in poverty. Such budgets can indicate income-based poverty thresholds and improve understanding of social inclusion levels across Member States.

# Policies to prevent and reduce poverty

Europe 2020 is an integrated strategy, the success of which depends on all of its actions supporting each other. This is especially important in the areas of employment, education and poverty. Economic growth and the design of successful employment and education policies play a crucial role in fighting poverty and social exclusion. Reducing poverty will improve workers' job opportunities and children's chances of doing well at school.

## Promoting inclusive growth

Despite the presence of social protection systems, the financial crisis has hit the most vulnerable hardest, thus increasing inequality. Notwithstanding the need to strengthen public finances, particularly against the backdrop of an ageing society, the benefits of recovery must be shared as widely as possible.

## Active inclusion strategies to underpin employment measures

Countries with high employment rates tend to have lower levels of poverty and exclusion. However, a job is not always a guarantee against poverty and the employed represent 24% of those at risk of poverty or exclusion in the EU. In 2009, 8,4% of people in employment were living below the poverty threshold. This figure has not improved since 2005. It is therefore important that employment policies ensure that those in work earn a decent wage by addressing labour market segmentation, low pay and under-employment and helping young people, lone parents and second earners to access the job market.

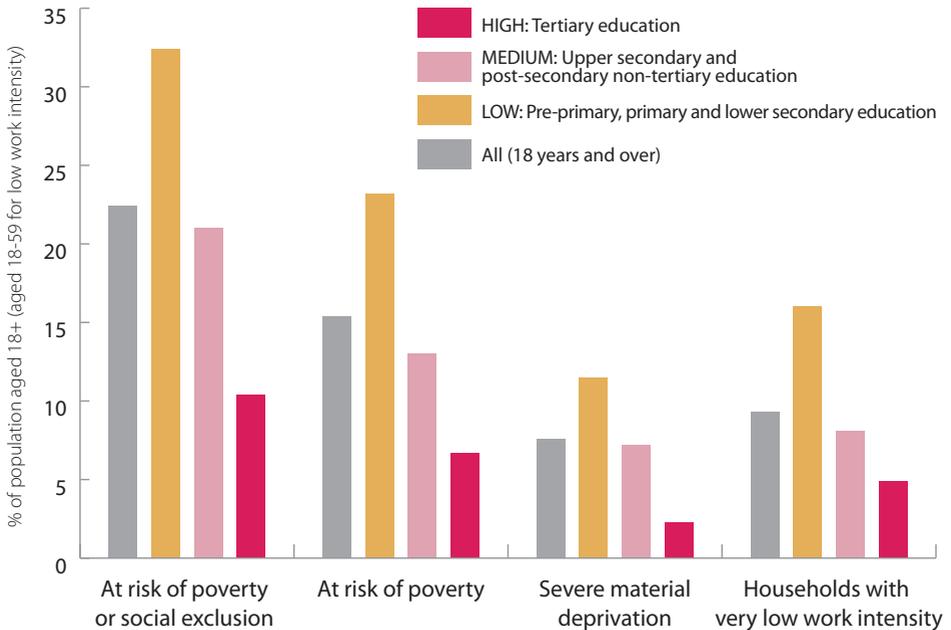
## *Learning from peer reviews: The Finnish National Programme to reduce long-term homelessness*

In February 2008, the Finnish government adopted a programme aimed at halving long-term homelessness by 2011. Adequate housing provision is considered a prerequisite for solving other social and health problems. The programme helped homeless people to secure permanent accommodation based on tenancy agreements and converted shelters into units for rent. It provided housing advice and financial support to help prevent eviction as well as guidance for use of welfare services. Plans for rehabilitation of and provision of services to homeless people were also drawn up. The first evaluation of the programme found that it had resulted in a saving of EUR 14 000 per person, over 50% of the average total cost of homelessness to the government. The Finnish government estimates that achieving the programme's target of creating 1 250 new dwellings and supported housing or care places for the long-term homeless could result in savings of EUR 17,5 million a year.

## Education and skills as determinants of social inclusion

Improving education levels and ensuring access to lifelong learning will help to reduce poverty in the medium and long term. As highlighted in the figure below, the risk level of poverty and exclusion for the low skilled is 10 percentage points higher than for those with medium education levels, and more than 20 percentage points higher than for the highly skilled.

## People aged 18 and over at risk of poverty or exclusion by level of education (%); EU27 2009



Source: EU-SILC (2009)

## Sustainable and adequate social protection

Social protection insures people against social risk and helps to reduce poverty. At the same time, it is vital to adapt social protection systems so that they encourage activity and inclusion. This should go hand in hand with strategies for growth and more and better jobs.

Design of tax and benefit systems determines the way in and extent to which they affect income inequality and help the poor. Important features include progressivity of taxes and benefits and targeting of and conditions attached to benefits, as these can create disincentives to work, if inappropriately designed. Wide variations between Member States have been noted as regards net cash support for low-income households.

In the EU, pension expenditure represents on average 43% of gross expenditure on social protection benefits and along with general earnings-related schemes, minimum income provision for older people plays an essential role in reducing the risk of poverty amongst the elderly. Overhauls of pension systems are ongoing in many Member States. Major trends in pension reform concern strengthening of the link between contributions and benefits, raising of statutory and effective retirement ages, establishment of automatic adjustment mechanisms to take account of life expectancy and GDP developments and broadening of the role of private pension schemes.

As regards health care, investing in raising awareness of the benefits of health and prevention of physical and mental illness, as well as ensuring universal access to quality care are vital to increase effectiveness. Sustainable financing for the sector, cost-effective use of care, increased use of day case surgery, integration of hospital services and innovative approaches to care delivery could also help to strengthen provision.

## Social inclusion policies

Breaking the inter-generational transmission of poverty and ensuring fair chances for all is of great importance. Action in this area should start with families and children. Intervention during early childhood in areas such as health care and education must be strengthened. Ensuring a proper balance between work and private life and promoting labour market participation of parents is essential. Availability and high quality of child care, and adequate income support for families through a combination of tax relief and well-designed and targeted universal benefits are essential tools for this.

Active inclusion is a key factor in attaining the EU's poverty reduction target and ensuring that the benefits of growth and employment are shared fairly. It consists of strategies combining adequate income support, access to the labour market, especially for those on the margins of society, and quality services. These are needed to prevent long-term exclusion and to increase the efficiency of social spending. Coverage of social safety nets should be improved by ensuring sustainable financing of social services and the quality of interventions should also be raised.

## EU financial instruments to combat poverty

The European Social Fund (ESF) is the main EU-level financial instrument for promoting employment, social inclusion and equal opportunities and for developing peoples' skills and competences. With a total budget of EUR 76 billion for the 2007-2013 period, the ESF is directly supporting actions aimed at reaching the Europe 2020 targets in the fields of education, employment and social inclusion and is also contributing to attaining the research and development goals.

The PROGRESS Programme supports projects which help to achieve EU aims and develop knowledge in the areas of employment policy, social inclusion, social protection reforms and equal opportunities, as well as the implementation of EU social policy.

The European Microfinance Facility aims to contribute to providing around EUR 500 million for loans to small businesses in the years leading up to 2020. The European Regional Development Fund (ERDF) aims at reducing disparities between regions and combating persistently high levels of poverty.

The European Agricultural Fund for Rural Development (EAFRD) funds development of social and educational infrastructure and services, and more generally, improvements to quality of life and management of economic activity in rural areas.

The Research Framework Programme supports advanced European socio-economic research, notably through development of new methodologies, progress indicators and research infrastructure.

# The way forward – main messages

The following messages draw on the findings of the SPC annual report and were adopted by the Employment, Social Policy, Health and Consumer Affairs Council of Ministers at its meeting on 7 March 2011<sup>1</sup>.

- One in five people in the EU is at risk of poverty or social exclusion and 40 million people are in a condition of severe deprivation. EU heads of State and Governments have committed to lift at least 20 million people out of poverty and social exclusion in the next decade. Fulfilling this objective requires ambitious national targets and the necessary measures to meet them, so to ensure that fighting poverty is part of the overall recovery strategy. It also requires the mobilisation of all stakeholders.
- A rapid return to growth and well designed employment and education policies are crucial to reduce poverty and social exclusion. At the same time, efforts to restore sound public finances and reform *social protection systems* should both aim at ensuring their sustainability and adequacy. This will also help preserving their important role as automatic stabilisers. In doing so, Member States should aim at combining effectiveness, efficiency and fairness. The most vulnerable should be protected from bearing the brunt of the consolidation measures.
- As Member States pursue recovery, *active inclusion strategies* combining income support, access to the labour market and health and social services are needed to prevent long-term exclusion while increasing the efficiency of social spending. This entails facilitating labour market participation of all, in particular women and the young; linking social assistance to activation measures and access to enabling services; as well as improving the coverage and adequacy of social safety nets where needed. Ensuring the sustainable financing of high quality social services is also crucial.

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1 [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/lisa/119656.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/lisa/119656.pdf)

- 25 million children are at risk of poverty or exclusion in the EU. In order to *break the intergenerational transmission of poverty* Member States need to *prioritise early childhood intervention* in areas such as health and education, to enhance the availability of quality child care and enabling services, to promote the labour market participation of parents, and to guarantee adequate income support to families with children through a combination of well designed universal and targeted benefits.
- Policies to tackle the most persistent and severe forms of poverty and social exclusion require *a combination of universal and targeted approaches*. Specific attention should be given to preventing and fighting homelessness and housing exclusion; to addressing fuel poverty and financial exclusion. Promoting social inclusion and tackling discrimination of groups at risk needs to be a core element of social policies.
- Maximising employment years and minimising the effects of career breaks is crucial in ensuring *future pension adequacy and long-term financial sustainability of pensions systems*. This entails raising employment rates and pension coverage – notably for the youth and women – for example by crediting involuntary career breaks and increasing the effective retirement age, including by tightening early retirement pathways and enhancing conditions and incentives for older workers to work longer and finding ways to adapt pension rights to developments in life expectancy.
- Ensuring universal access to quality care for all will require renewed efforts to maintain an efficient health sector. Increasing *effectiveness, sustainability and responsiveness of health care and long-term care* in the context of austerity and ageing will be necessary, including through innovative and coordinated health and social care delivery, such as integrated pathways for the treatment of chronic diseases. Investing in health promotion and disease prevention (including mental health problems) can bring high returns in both in social and economic terms.

- The success of the Europe 2020 Strategy depends on an integrated and coherent approach between all relevant policy areas in particular social, employment and economic policies as well as close cooperation between all levels of government, social partners and civil society. Linking EU funds to Europe 2020 priorities and supporting social innovation will enhance effectiveness.
- The Commission and Member States should consider the need to strengthen their capacity to *assess the social impacts* of their major policy and spending decisions as part of overall impact assessments, in line with Article 9 of the Treaty on the Functioning of the European Union (TFEU) and in the context of the European Platform against Poverty and Social Exclusion. Improving the timeliness of social statistics and enhancing analytical capacity is also crucial.
- The SPC will provide its input on how to ensure coherence between *the objectives and the working-methods of the Social OMC and the new context of the Europe 2020 Strategy* and its governance, on the basis of the experience of the first European Semester of Europe 2020.<sup>2</sup>

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2 European Semesters are to be held annually from 2011 and are six-month periods during which Member State budgetary and structural policies are reviewed to detect inconsistencies and imbalances.

## Find out more

### Social Protection Committee:

<http://ec.europa.eu/social/main.jsp?catId=758&langId=en>

### Europe 2020 strategy:

[http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)

### Social Protection & Social Inclusion:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=750>

### European Platform against poverty and social exclusion:

<http://ec.europa.eu/social/main.jsp?catId=961&langId=en>

### European Year for Combating Poverty and Social Exclusion:

<http://www.2010againstpoverty.eu/?langid=en>

### European Social Fund:

<http://ec.europa.eu/social/main.jsp?catId=325&langId=en>

European Commission

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The Social Protection Committee (SPC), a policy forum for Member States and the European Commission, has produced its 2011 Report on the social dimension of the Europe 2020 Strategy. This leaflet summarises the Report, introducing the SPC work, describing EU poverty and social exclusion targets and analysing the state of play and trends in this area. It goes on to examine poverty reduction and prevention policies and outlines key messages adopted by the SPC. Selected national programmes and EU instruments for tackling poverty and social exclusion are also detailed.

The leaflet is available in printed format in all EU official languages.

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