

THE SOCIAL DIMENSION OF THE EUROPE 2020 STRATEGY

A REPORT OF THE SOCIAL PROTECTION COMMITTEE (2011)

Social Europe



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A REPORT OF THE SOCIAL PROTECTION COMMITTEE (2011)

European Commission

Directorate-General for Employment, Social Affairs and Inclusion

Unit D.1

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Foreword

The commitment of the European Union Heads of States and Government to lift at least 20 million people out of poverty and social exclusion in the context of the Europe 2020 strategy is a significant sign stressing the importance of the social dimension for the future of Europe. One in five people in the European Union is at risk of poverty or social exclusion and 40 million people are in a condition of severe deprivation. The recent economic crisis has further aggravated this situation. We should not risk losing this enormous human capital potential and active policy interventions at all levels should tackle this challenge.

Acting on its mandate to monitor the social situation and the development of social protection policies in the Union, the Social Protection Committee (SPC) has produced the present report which offers a first analysis of the social dimension in the Europe 2020 strategy. Most recent trends on poverty and social exclusion at the EU level have been analysed and discussed in light of proposed policy measures. The report analyses actions focusing on sustainable and adequate reforms of social protection systems, active inclusion strategies, well-designed universal and targeted benefits for families and groups at risk, future pension adequacy and long-term financial sustainability of pensions systems as well as increased effectiveness of health care and long-term care. In the current economic context, the report encourages Member States and the European Commission to strengthen their capacity to assess social impacts of major policy and spending decisions.

There is an increasing need to further work on indicators which fully reflect the multidimensional nature of poverty and social exclusion. This will greatly help us in better evaluating the role and effectiveness of the policies that are mobilised to combat them. The SPC has been working extensively in this area and will continue to do so in the future.

The main messages of this SPC report were adopted formally by the Council of Ministers in March 2011.

I sincerely hope that this report and the SPC work in general will stimulate productive discussion and policy action as the future of the European social model is in the hands of all of us.

Lauris Beets

Chair of the Social Protection Committee

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MAIN MESSAGES EMERGING FROM THE 2011 SPC REPORT ON EUROPE 2020

- 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.
- 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 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.

PART 1 : PROMOTING INCLUSION AND REDUCING POVERTY

1. THE EU NATIONAL TARGETS FOR THE REDUCTION OF POVERTY AND SOCIAL EXCLUSION

1.1. First assessment of the process to set national targets

The EU headline target aims at lifting at least 20 million people out of the risk of poverty and exclusion. It is defined on the basis of three indicators¹ which reflect the multiple facets of poverty and exclusion across Europe. It extends the original concept of relative income poverty to cover the non monetary dimension of poverty and situations of exclusion from the labour market. It also reflects the diversity of situations and priorities across Member States.

In the light of the draft NRPs, a majority of countries have set realistic targets, close to the EU level of ambition. Most Member States have used the same definition as the EU headline target, based on the three agreed indicators, thereby acknowledging that broad strategies are needed to tackle poverty in all its dimensions. Other Member States have set their targets on the basis on national indicators in order to reflect their national circumstances².

However, the draft NRPs also reveal that more effort would be needed to meet the level of ambition collectively agreed by the European Council in June. Finally, several countries have still not set their target. It is urgent that these countries rapidly finalise the process.

Table 1: Provisional Europe 2020 national targets for the reduction of poverty and social exclusion³

	Reduction of poverty in number of persons (estimated contribution⁴ to EU target)	Indicator(s) used	Total number of people at-risk-of poverty or exclusion (2008)
AT	235,000	Same as EU target	1,530,000
BE	330,000-380,000	Same as EU target	2,190,000
BG	260,000 (500,000)	At-risk-of poverty rate	3,420,000
CY	18,000	Same as EU target	174,000
CZ	30,000	Same as EU target	1,570,000
DE	330,000 (660,000)	Long-term unemployment	16,350,000
DK	22,000	?	890,000
EE	49,500	At-risk-of-poverty rate	290,000

¹ the at-risk-of poverty rate, severe material deprivation and people living in households with very low work intensity

² As foreseen by the Conclusions of the June 2010 European Council
http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf

³ The final national targets will be set out in the National Reform Programmes in April 2011

⁴ Countries that have expressed their national target in relation to a different indicator than the one used for the EU headline target were asked to provide an estimate of the reduction in people at-risk-of poverty or exclusion (definition of the EU target) expected as a result of reaching the national target. This estimate should take account of expected trends in all three components of the target. This notably applies to countries that have chosen to concentrate on the risk-of poverty, which can also expect a strong decrease in the material deprivation rate when growth resumes.

EL	450,000	Same as EU target	3,050,000
ES	No target in NRP		10,340,000
FI	150,000	Same as EU target	910,000
FR	1,600,000 ⁵	Anchored at-risk-of poverty	11,240,000
HU	450,000-500,000	Same as EU target	2,790,000
IE	186,000	Overlap between the risk-of-poverty and material deprivation	1,050,000
IT	2,200,000	Same as EU target	15,100,000
LT	170,000	Same as EU target	980,000
LU	3,000	Same as EU target	72,000
LV	121,000	At-risk-of poverty rate	760,000
MT	6,560	Same as EU target	79,000
NL	No target in NRP		2,430,000
PL	1,500,000-2,000,000	Same as EU target	11,490,000
PT	200,000	To be defined	2,760,000
RO	580,000	At-risk-of poverty rate	9,420,000
SE	No quantitative target in NRP		1,370,000
SI	40,000	Same as EU target	360,000
SK	170,000	Same as EU target	1,110,000
UK	Existing child poverty target	Risk-of-poverty of children + children in JLH	14,060,000

Source: Draft NRPs

Past work of the SPC, notably in the context of the report on child poverty and well-being (see also conclusions of the December 2009 French peer review in Box 1), highlighted that for targets to play their role they need to be based on a diagnosis of the causes of poverty and social exclusion in each country as well as on an analysis of the policies that work to tackle the issues identified. Evidence of such analysis has been provided by some countries. In the coming months, Member States could further exchange on the basis of the results of these analytical exercises, possibly with the support of the Commission. Targets also need to be supported by sustained political commitment and be based on sound implementation and governance arrangements. It is essential that each Member States reports on the way different levels of government and key stakeholders are being involved in the process of implementing the national targets.

Box 1: Learning from Peer Reviews: The use of quantified targets in policy making, the French example

In 2007, the French authorities established a scoreboard to assess progress towards the national target of reducing poverty by one third by 2012. The Scoreboard is part of a strategy to build support for tackling poverty by means of active inclusion policies and legally enshrined quantitative targets to ensure that government delivers reform and the desired policy outcomes. The government is required to report to parliament each year on progress

⁵ For France, the national target covers the period 2007-2012, as well as the estimate of the contribution of the national target to the European one. Estimates of the contribution of the national target to the European one will be available based on EUSILC 2013 (referring to 2012 incomes), available early 2015.

towards the goal. Annual publication of the scoreboard promotes transparency and dialogue on social inclusion.

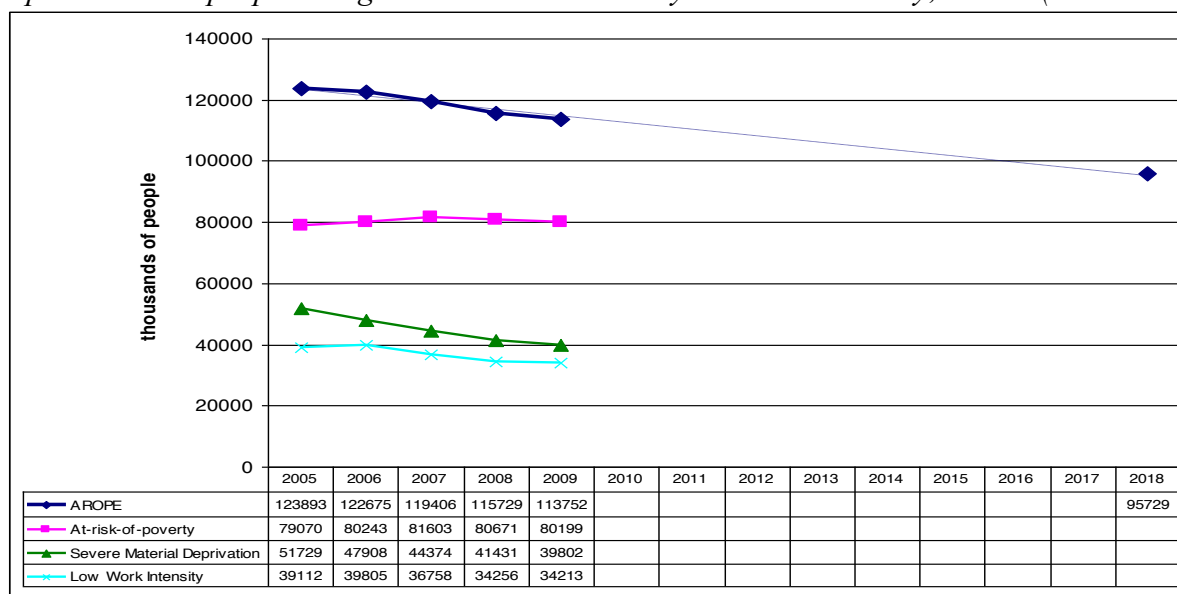
While the central indicator in the scoreboard is the risk of poverty rate anchored at a moment in time (2006), a number of other indicators (18 main ones and 21 complementary) have been defined so as to cover all aspects of the fight against deprivation and social exclusion (from income, employment, housing and health, to financial exclusion, child poverty and education). A large part of the scoreboard indicators draw on those developed within the EU's Open Method of Coordination (OMC).

Key lessons identified in the peer review are that targets should be challenging but attainable. They should stretch society's organizational capabilities, but at the same time be informed by past experience of what policy can and cannot achieve. For indicators to succeed, they also have to be followed up with appropriate action on the ground. Widespread consultation of stakeholders and experts, as well as broad interministerial involvement, is crucial to the identification and application of the best indicators. Involvement of people with direct experience of poverty is essential to good policy-making in this field. But this implies greater effort by policy-makers and experts to listen to them and engage with them. For further information see the [peer review website](#)⁶.

1.2. Monitoring progress towards the EU headline target and national targets

The **monitoring of progress towards the EU headline target** will be based on past trends of the number of people at-risk-of-poverty or exclusion (AROPE), for the total population and for the main groups at risk at EU level. This will allow keeping track of progress overall and for the different components of the targets, thereby highlighting which dimensions would require further efforts.

Figure 1: the EU headline target and its three components: at-risk-of-poverty, severe material deprivation and people living in households with very low work intensity; EU-27 (thousands)



Source: EU-SILC

⁶ <http://www.peer-review-social-inclusion.eu/peer-reviews/2009/measuring-the-impact-of-active-inclusion>

Table 2: Evolution of the percentage of people at risk of poverty or social exclusion⁷ in EU Member States (2005-2009)

	2005	2006	2007	2008	2009	Average yearly growth rate
EU-27	26	25	24.5	23.6	23.1	-2.9%
Belgium	22.6	21.5	21.6	20.8	20.2	-2.8%
Bulgaria	:	61.3	60.7	44.8 (b)	46.2	-9.0%
Czech Republic	19.6	18	15.8	15.3	14	-8.1%
Denmark	17.2	16.7	16.8	16.3 (b)	17.4	0.3%
Germany	18.4	20.2	20.6	20.1	20	2.1%
Estonia	25.9	22	22	21.8	23.4	-2.5%
Ireland	25	23.3	23.1	23.7	25.7	0.7%
Greece	29.4	29.3	28.3	28.1	27.6	-1.6%
Spain	23.4	23.3	23.1	22.9	23.4	0.0%
France	18.9	18.8	19	18.6 (b)	18.4	-0.7%
Italy	25	25.9	26.1	25.3	24.7	-0.3%
Cyprus	25.3	25.4	25.2	22.2	22.2	-3.2%
Latvia	45.8	41.4	36	33.8	37.4	-4.9%
Lithuania	41	35.9	28.7	27.6	29.5	-7.9%
Luxembourg	17.3	16.5	15.9	15.5	17.8	0.7%
Hungary	32.1	31.4	29.4	28.2	29.9	-1.8%
Malta	20.6	19	19.1	19.5	20.2	-0.5%
Netherlands	16.7	16	15.7	14.9	15.1	-2.5%
Austria	16.8	17.8	16.7	18.6	17	0.3%
Poland	45.3	39.5	34.4	30.5	27.8	-11.5%
Portugal	26.1	25	25	26	24.9	-1.2%
Romania	:	:	45.9	44.2	43.1	-3.1%
Slovenia	18.5	17.1	17.1	18.5 (b)	17.1	-1.9%
Slovakia	32	26.7	21.3	20.6	19.6	-11.5%
Finland	17.2	17.2	17.4	17.4	16.9	-0.4%
Sweden	14.4	16.3	13.9	14.9	15.9	2.5%
United Kingdom	24.8	23.7	22.8	23.2	22	-3.0%

Source: EU-SILC

The **monitoring of progress towards the national targets** will be based on similar graphs presenting the evolution of the indicators underlying the national definitions of the targets. A majority of countries have set their target on the basis of the EU definition. Others have set their target on the basis of national indicators or on single components of the target (the at-risk-of poverty rate).

⇒ For countries who have chosen the EU headline target definition, the overall indicator will be presented with its three components and/or with the sub-targets set for specific sub-groups.

⁷ As agreed by the EU Council in defining the indicator underpinning the Europe 2020 poverty target, people at-risk-of poverty or social exclusion are defined as those individuals who are at-risk-of poverty and/or suffering from severe material deprivation and/or living in household with zero or very low work intensity.

- ⇒ For other countries the graph will show the evolution of the national indicator and sub-indicators underpinning the national target.

Finally work on assessing the **contribution of the national targets based on national indicators to the EU target** will involve the estimation of possible scenarios on how the EU target can be reached, taking into account

- the national targets and their trajectories as indicated by Member States,
- the relation between the social inclusion and poverty reduction target (and its components) and key macro-economic and social indicators (GDP/capita, GDP growth, employment, current and projected size and structure of social protection expenditure, and unemployment, early school leavers, etc).

2. FIRST OVERVIEW OF THE POLICY ORIENTATIONS GIVEN BY MEMBER STATES IN THE DRAFT NATIONAL REFORM PROGRAMMES

A first reading of the draft NRPs provide a preliminary overview of the priorities set by Member States regarding the policies underpinning the poverty target.

2.1. Main priorities and policy measures envisaged by Member States

The vast majority of Member States (more than 2/3 of countries) indicate that **efforts to raise employment rates overall and to foster inclusive labour markets** are expected to contribute to the reduction of poverty and social exclusion. Areas of intervention that are considered especially relevant include:

- ⇒ Fighting labour market segmentation to facilitate entry on the labour market and promote the upward mobility of low income earners.
- ⇒ Modernising social security systems so that they provide the right incentives to work, to avoid benefit dependency, but at the same time ensure adequate income support.
- ⇒ Increasing the participation of specific groups (e.g. women, people with disabilities, lone parents).
- ⇒ Improving access for vulnerable groups (low skilled, migrants, etc) to public employment services and training.

A majority of Member States list **reforms to ensure the long-term adequacy and sustainability of the social protection systems** as a priority area. This especially concerns

- ⇒ Pensions reforms
- ⇒ Reforms to increase the poverty reduction impact of social transfers. In most countries this entails implementing policies that can increase the efficiency of social spending in all areas, and especially in health care, active inclusion, etc. A few countries intend to reinforce safety nets where needed.

A majority of Member States indicate **access for all to high quality services** as a priority area. A number of them highlight the need to tackle **regional disparities** in the provision and quality of services. This especially concerns

⇒ Health care and long-term care

⇒ Housing

In continuity with past reporting under the social OMC, **active inclusion strategies** remain a priority for the vast majority of Member States (more than 2/3 of countries). Measures include:

- Adopting or continue to implement integrated active inclusion strategies.
- Strengthening labour market support for all, including the most vulnerable, and linking social assistance to activation measures and access to enabling services.
- Reviewing and improving where needed the design, coverage, and adequacy of social safety nets.
- Ensuring the sustainable financing of social services and the quality of intervention.
- Supporting the social economy.

Also in line with past reporting, **fighting child poverty** is another very important priority for a vast majority of Member States (more than 2/3 of countries). A number of countries have set their national target or sub-targets in relation to child poverty. Many countries also highlight the role of education in preventing the inter-generational transmission of poverty. Measures include

- Strengthening early childhood intervention in areas such as health and education.
- Supporting the labour market participation of parents, especially lone parents and second earners (addressing financial disincentives, child care provision, reconciliation of work and family life).
- Investing in the availability and quality of child care (quality standards, professionalization of staff, etc).
- Ensuring the financing and the quality of other services (housing, health care, etc) that are important for families and children.
- Guaranteeing adequate income support to families through a combination of well designed universal and targeted benefits.

Fighting poverty in old age is a priority for a majority of Member States. Measures include

- Increasing the labour market participation of older workers (addressing disincentive to work longer, fostering job and training opportunities for older workers, etc).
- Addressing the negative impact of career breaks and broken carriers on pensions entitlement, especially for women.
- Improving minimum income provisions for the elderly, especially for women.
- Improving access to quality services and long-term care.

Less than half of the countries have highlighted policies **to support the inclusion of groups at risk (migrants, people with disabilities, Roma)** as a priority. Measures include

- Supporting the labour market integration of groups at risk (targeted measures for access to training and PES, etc).
- Targeted social inclusion measures.
- Enforcement of anti-discrimination laws.

The first analysis of the provisional NRPs tends to indicate that Member States are not giving enough priority to the modernisation of social assistance and income support mechanisms, and to the role of coordination of social services, including integration services, with employment services in the implementation of active inclusion strategies.

2.2. The use of EU funds

Member States make an extensive use of the European Social Fund to support the policies mobilised in the context of Europe 2020, notably in the areas of labour market participation, active inclusion and prevention of early school leaving (See section 4.4). Nevertheless, few Member States elaborated on how EU funds would be used to support specific policy objectives outlined in the draft NRP. In line with the Budget Review and the conclusions of the Cohesion Report, the use of EU funds should be geared towards achieving the Europe 2020 headline targets. The link between EU funds and national policy priorities should therefore be better reflected in the National Reform Programmes where appropriate.

3. POVERTY OR SOCIAL EXCLUSION IN THE EU: STATE OF PLAY AND RECENT TRENDS

In June 2010, Member States have committed to lifting at least 20 million people from the risk of poverty and social exclusion by 2020. The agreed target is defined on the basis of three combined indicators which reflect the multiple facets of poverty and exclusion across Europe. The definition of the target builds on the concept of relative income poverty and adds the

dimensions of material deprivation and exclusion from the labour market. Together the three indicators reflect the aim of the Europe 2020 strategy to ensure that the "benefits of growth are widely shared and the [poor] ... are enabled to take an active part in society"

The **at-risk-of poverty rate** refers to the situation of people whose disposable income is below 60% of the median income of their country⁸. It is a relative measure of poverty, linked to income distribution, which takes account of all sources of monetary income including market income and social transfers. It reflects the definition of poverty adopted by the European Council in 1975 who defined the "poor" as "those individuals or households whose resources are so low as to exclude them from the minimum acceptable way of life in the country where they live". It is responsive to the employment, education and welfare policies that are mobilised at national level to fight poverty.

The **severe material deprivation rate** refers to the situation of people who cannot afford a number of necessities considered essential to live a decent life in Europe⁹. It both reflects the distribution of resources within a country as well as the differences in living standards across Europe and the impact of growth on improving these, especially in the countries with lower GDP per capita.

The share of people living in **households with very low work intensity**¹⁰ refers to the situation people who live in households where nobody works (or work very little), but that are not necessarily living on very low income. It will be used to monitor the efforts of Member States to combat labour market exclusion, including in its most severe forms.

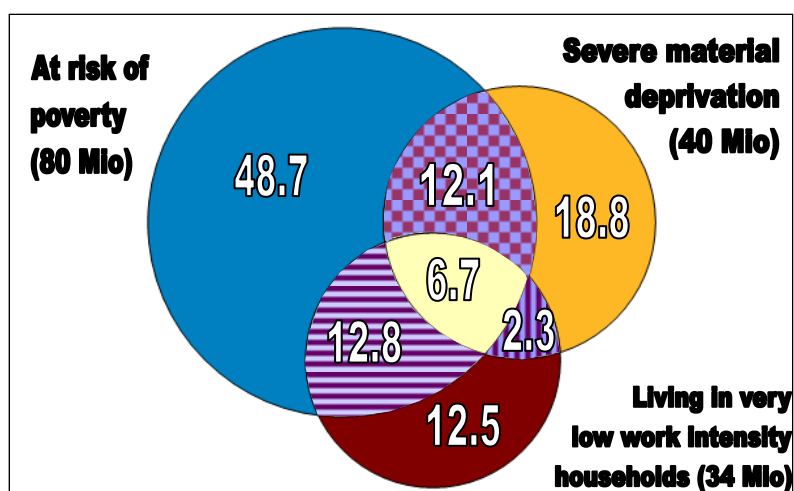
As illustrated in Figures 2 and 3, the three dimensions do not fully overlap, and Member States face very different challenges across Europe. Relative poverty (lower areas of the bars in Figure 3) remains the main challenge in most EU countries. Improving overall living standards can significantly help reduce severe material deprivation (dark middle areas in the bars in Figure 3) in countries with lower GDP per capita. Fighting labour market exclusion will especially be a priority in countries with high shares of people living in households with very low work intensity (light top areas in Figure 3), including in those countries with developed welfare systems that protect people relatively well from income poverty, but may provide weak incentives and/or little support for the labour market participation of those furthest away from the labour market.

⁸ The at-risk-of poverty rate is defined as the percentage of people with an equivalised disposable income below 60% of the national equivalised median income. Equivalised income is defined as the total household income (including all sources of current income available to the household after social transfers and direct taxes) divided by its "equivalent size" to take account of the size and composition of the household.

⁹ People are considered "severely materially deprived if they experience at least 4 out of 9 deprivations: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour tv, or ix) have a telephone

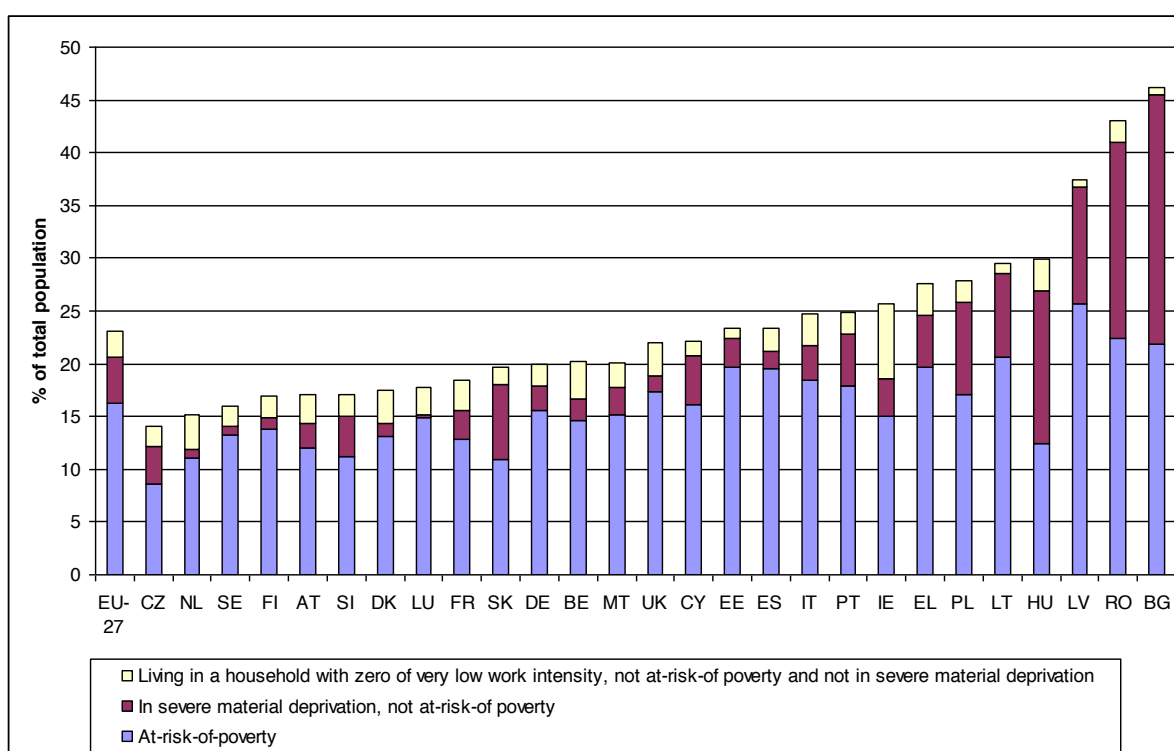
¹⁰ People living in households with very low work intensity are people aged 0-59 living in households where the adults work less than 20% of their total work-time potential during the previous 12 months.

Figure 2: 114 Million people at risk of poverty or exclusion (2009¹¹)



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

Figure 3: Shares of people 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)

3.1. Income poverty – persistent levels of poverty across the EU

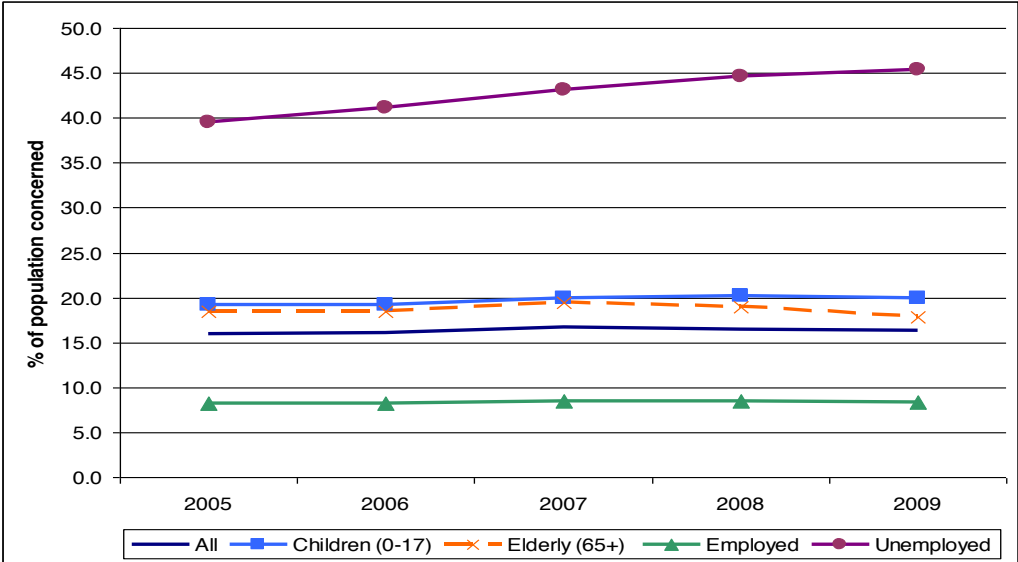
One of the lessons to be drawn from 10 years of Lisbon strategy¹² is that despite economic and employment growth, the 2000 original objective of reducing poverty significantly was not

¹¹ 2009 is the survey year. Income data and low work intensity data refer to the previous year (2008 except for IE-2008-09 and UK - 2009). Material deprivation data refers to the survey year (2009)

met. Figure 4 shows that at EU-27 level, the at-risk-of poverty rate stagnated at 16.5% between 2005 and 2009 (income reference years 2004 to 2008). Over the period, both **children** and the **elderly** experienced risks of poverty of 3 percentage points above the risk-of-poverty of the overall population. In-work poverty at EU level also remained stable at 8%, while the risk of poverty of the unemployed rose significantly during the period from 39% to 44%, mainly due to an increase in the old Member States. Changes in the characteristics of the unemployed¹³ and changes to the unemployment benefit schemes (increased conditionality, shortened duration) aimed at making work pay may explain this increase.

The aggregate figure hides marked differences across Member States, ranging from 9-12% in the Czech Republic, the Netherlands, Slovakia, Denmark, Hungary, Austria, Slovenia and Sweden to 20-26% in Spain, Greece, Lithuania, Bulgaria Romania and Latvia. These differences result from varying levels of solidarity and labour market inclusion across EU countries.

Figure 4: At-risk-of-poverty rate, total, by age and by employment status; EU-27, 2005-09

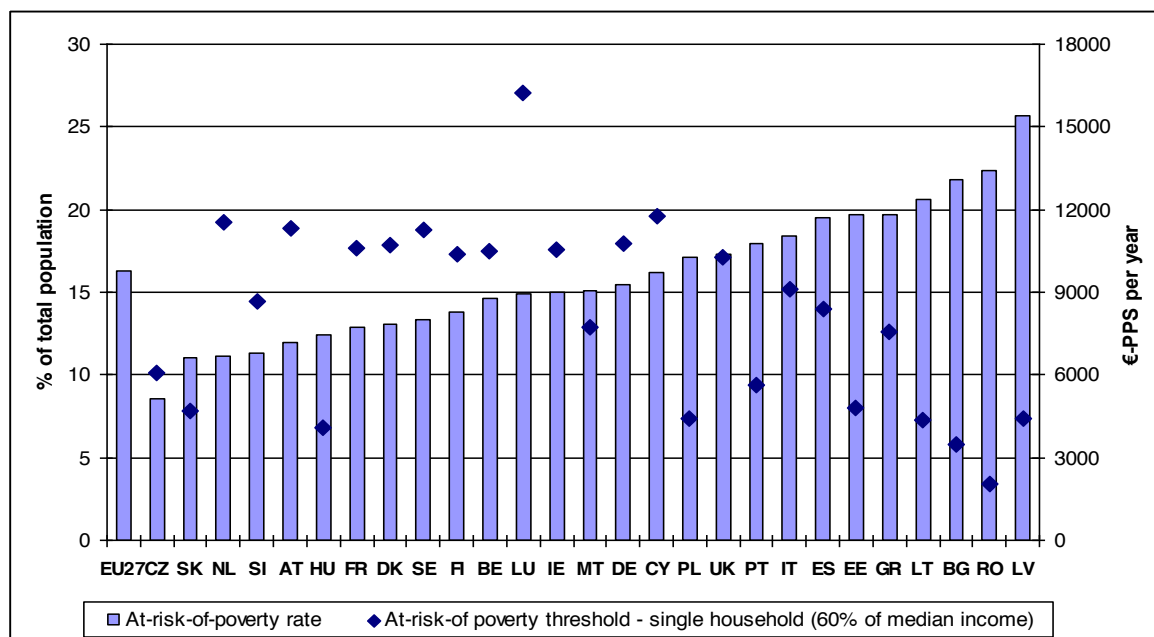


Source: EU-SILC (Income reference years 2004-2008)

¹² SPC(2009). "Growth Jobs and social progress: a contribution to the evaluation of the social dimension of the Lisbon Strategy"

¹³ Changes in the characteristics of the unemployed generally occur when unemployment rates decrease, as was the case in the pre-crisis period reviewed here.

Figure 5: At-risk-of-poverty rate (% of total population) and at-risk-of poverty thresholds for a single household (€-PPS per year), per country, 2009



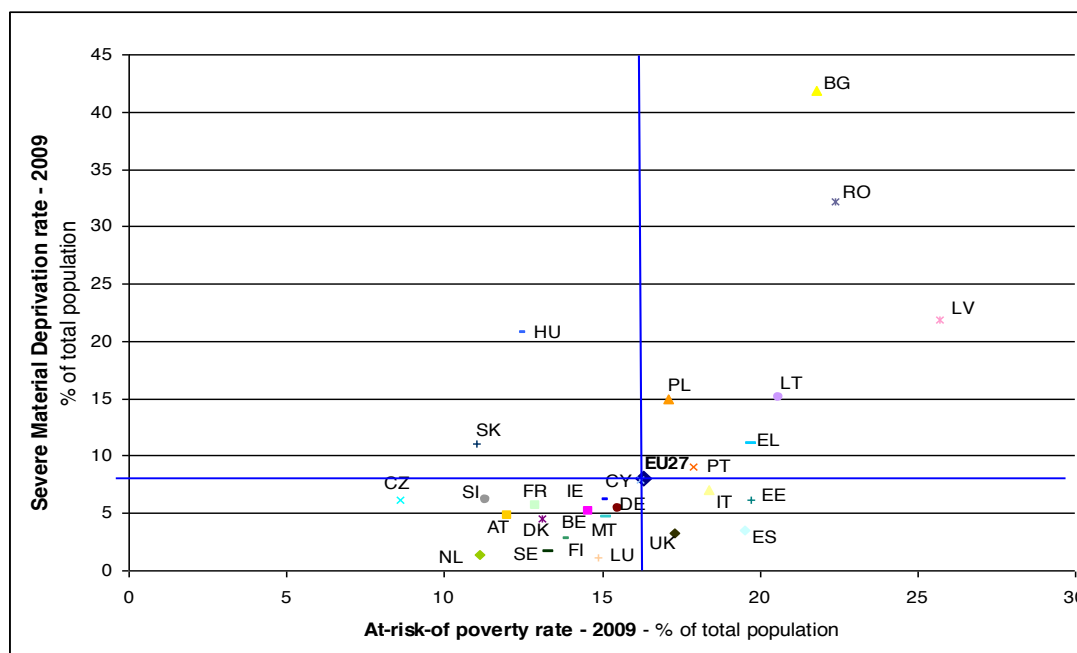
Source: EU-SILC (2009) Income reference year 2008 except IE (2008-09) and UK (2009)

Being at risk of poverty relates to very different living standards across the EU, as illustrated by the large differences in the levels of poverty thresholds apparent in figure 5 (right axis). Even when corrected for differences in the cost of living, poverty thresholds are four to five times higher in the Netherlands, Austria and Cyprus than in Romania and Bulgaria.

3.2. Material deprivation – from income to expenditure and living standards

Material deprivation rates complement the picture given through the at-risk of poverty rates by providing an estimate of the proportion of people whose living conditions are severely affected by a lack of resources. 8% of Europeans live in severe material deprivation. However, in Bulgaria and Romania more than 30% of people are affected. These disparities in material deprivation rates reflect the distribution of resources within countries, as well as the large differences in GDP per capita that remain between EU countries. This emphasizes that the fight against poverty and exclusion in the EU will benefit from greater economic growth.

Figure 6: At-risk-of poverty and severe material deprivation rates (%); 2009



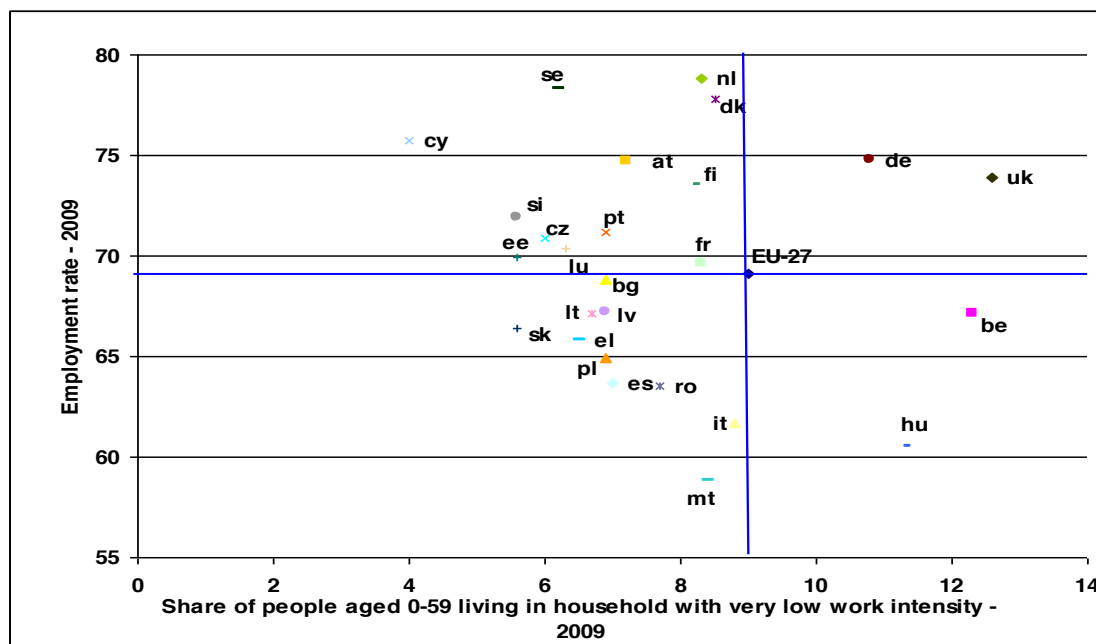
Source: EU-SILC (2009) Income reference year 2008 except IE (2008-09) and UK (2009)

3.3. Households with zero or very low work intensity: the polarisation between job rich and job poor households

The experience of this decade has confirmed that **having a job remains the best safeguard against poverty and exclusion**, since the poverty risk faced by unemployed working age adults is more than five times higher than those in work (44% against 8%), and the inactive (other than retired) face a risk-of-poverty that is three times higher than that of the employed (27% against 8%).

Despite employment growth prior to the crisis, the last decade has seen the persistence of **groups of people who remain outside or on the margins of the labour market**, often facing multiple barriers to entry (including low skills, care responsibilities, age, migrant background, disability and other discriminatory factors, etc.). Within these disadvantages groups, women are more vulnerable to experience social exclusion and poverty due to the persistent gender pay gap, higher presence of women in precarious employment, occupational and sectoral segregation, as well as career breaks for women. In 2009 in the EU27, 9% of children and adults of working age were living in households with zero or very low work intensity. Figure 7 shows that some countries with relatively high employment rates also have high proportions of people living in jobless households (DE, IE, UK).

Figure 7: Share of people aged 0-59 living in households with zero or very low work intensity vs. employment rate; 2009



Source: EU-SILC (2009) / LFS

The crisis has increased the number of families having to rely entirely on social benefits (see section 4.2). National experiences from past crises show that long-term unemployment or inactivity tend to persist long after recovery has set in. One of the risks is that increasing numbers of people move onto long-term sickness and disability benefits or early retirement schemes. Of these people, many are likely never to enter or return to the labour market.

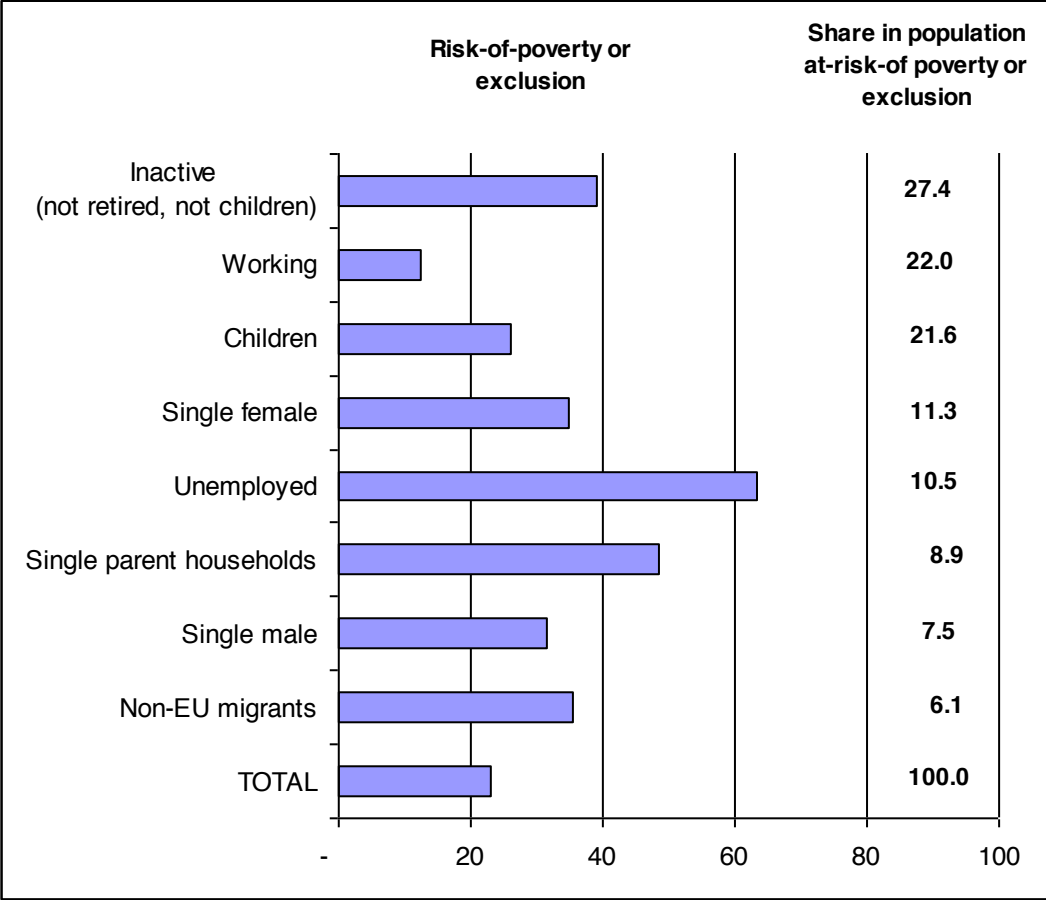
Having a job is not always a guarantee against the risk of poverty and the **working poor** represent one third of the working age adults at-risk-of-poverty. In 2009, 8.4% of the people in employment were living under the poverty threshold. This figure has not improved since 2005. In-work poverty is linked to employment conditions such as low pay, low skills, precarious employment or under-employment. Since 2000, the rise in temporary work, part-time work (including involuntary part-time working) along with sometimes stagnating wages has increased the number of individuals with low yearly earnings, especially among women and the young. In-work poverty is also related to **low work intensity** in the household, i.e. to situations where, taken all together, adults in the household do not work enough to make a living for the whole household. Among these, single and lone parent households not working full time, as well as one-earner families face the highest risks of poverty.

3.4. Who are the people at-risk-of poverty and exclusion

Children, elderly, single women, lone parents, the low skilled, the unemployed, inactive people of working age, among whom people with disabilities, people living in rural areas, and migrants face the highest risks and are overrepresented among the people at-risk-of-poverty or exclusion. A detailed analysis of the population at-risk-of poverty or exclusion is available in Eurostat Statistics in Focus N°X/2011. Ethnic minorities, including the Roma cannot be identified in EU-SILC but other national sources available indicate that they also face high risks of exclusion.

As illustrated in Figure 8, the inactive of working age (not retired, not children) represent more than one fourth (27.4%) of the population at-risk-of poverty and exclusion. They also face a much higher risk than the overall population (39% against 23% overall). People in employment represent 22% of the population at-risk- but face a lower risk-of poverty and exclusion than the average population. Nearly two third of the unemployed are at-risk, and they represent 10.5% of the population at risk. One lone parent in two lives on low income, faces material deprivation or is jobless, and they represent nearly 10% of the target population.

Figure 8: 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.

3.5. Improving further the measurement of poverty and social exclusion

In its contribution to the preparation of the Europe 2020 Strategy, the SPC highlighted the need to work further on indicators to fully reflect the multi-dimensional nature of poverty and social exclusion and better assess the role and effectiveness of the policies that are mobilised to combat them. In order to do so, there is a need to improve the measurement of poverty, of labour market exclusion and the assessment of the redistributive impact of tax and benefits systems.

- ⇒ Concerning the measurement of poverty, the results of 2009 SILC module on material deprivation due in March 2011 will allow to identify the best set(s) of items to reflect material deprivation in the EU. This will include specific work on child deprivation and on consistent poverty. Alternative methods, such as budget standards (see box 2 on Belgian peer review) will also be explored to complement the income based measures of poverty. Efforts to take account of non-monetary incomes should continue.
- ⇒ There is also a need to explore further the link between poverty and labour market exclusion at the individual level, thereby shedding light on the complex set of incentives, disincentives and barriers that individuals face in accessing the labour market. This could be done can be made the basis of the new variable of work intensity developed in 2010 and by making greater use of the make work pay indicators developed in the context of the EC/OECD tax-benefit model.
- ⇒ There is also a need to improve the measurement of the redistributive impact of the tax and benefit systems, including the provision of in-kind benefits and measures of the redistributive impact of pensions. The SPC will examine the work carried out in the context of the Net-SILC project as well as the joint Com/OECD work on the issue.

Finally, the SPC will reflect on the best way to improve the timeliness of underlying data as well as the capacity to measure the situation of the most vulnerable groups (migrants and ethnic minorities, people with disabilities, homeless, etc).

Box 2: Learning from Peer Reviews: Belgium using reference budgets to inform the requirements and adequacy of a minimum income system

A number of EU countries now use “reference budgets”, which measure the cost of a list of core items required for a socially acceptable standard of living across different households. Various studies compare minimum income systems across the EU, but often fail to provide information on their impact on real people or consistent methods for assessing how each country's benefit levels relate to the actual living standards and expectations of its citizens.

The results from a recent study called “Minibudgets: What is the necessary income to live a life in dignity in Belgium?” determined the budget a given type of household needs by developing a realistic monthly basket of products and services. An interesting aspect of the study is that people experiencing poverty gave feedback on the results on the results obtain through scientific methodology. Starting from a concept of human dignity, the researchers focused on the products and services people need to have. These needs were then translated into concrete goods and services considered necessary for people to be healthy or to act autonomously by experts and individuals with experience of poverty.

Key lessons from the peer review are that reference budgets can be a useful tool to determine adequacy of minimum income and can be helpful for social and financial counselling. To ensure the legitimacy of reference budgets, they should be based on scientific data and be identified by people representing a cross section of society, including people experiencing poverty. Wider use of reference budgets can illustrate income based poverty thresholds and give a better understanding of social inclusion across Member States. For further information see the [peer review website](http://www.peer-review-social-inclusion.eu/peer-reviews/2010/using-reference-budgets-for-drawing-up-the-requirements-of-a-minimum-income-scheme-and-assessing-adequacy)¹⁴.

¹⁴ <http://www.peer-review-social-inclusion.eu/peer-reviews/2010/using-reference-budgets-for-drawing-up-the-requirements-of-a-minimum-income-scheme-and-assessing-adequacy>

A different approach has been followed in **Italy**, where the reference budget methodology is used in the official definition of absolute poverty adopted by the National Statistical Office (Istat). On the basis of the Household Budget Survey and other available information (e.g. nutrition needs, decent housing, etc.) a basket of goods and services which is considered essential to achieve a minimally acceptable standard of life is defined. The minimum monthly expenditure necessary to acquire this basket is defined as the absolute poverty line. This minimum standard of living (covering food, housing and other essential goods and services) is the same across the national territory, but it varies by geographical area (accounting for differences in prices) and by family's characteristics (accounting for differences in needs). The monetary value of the basket defined in 2005 is updated, taking into account price dynamics of single goods and services by geographical area.

4. POLICIES TO PREVENT AND REDUCE POVERTY

4.1. Mutual coherence of the policies underpinning the targets is needed to ensure the success of integrated strategies

Europe 2020 is an integrated strategy whose success depends on all its goals reinforcing each others. Positive interaction between the employment, education and poverty targets is especially important. Economic growth and the design and success of labour market and education policies play a crucial role in fighting poverty and social exclusion. Reducing poverty will support the employability of workers and improve the chances of children to do well in school.

Promoting inclusive growth

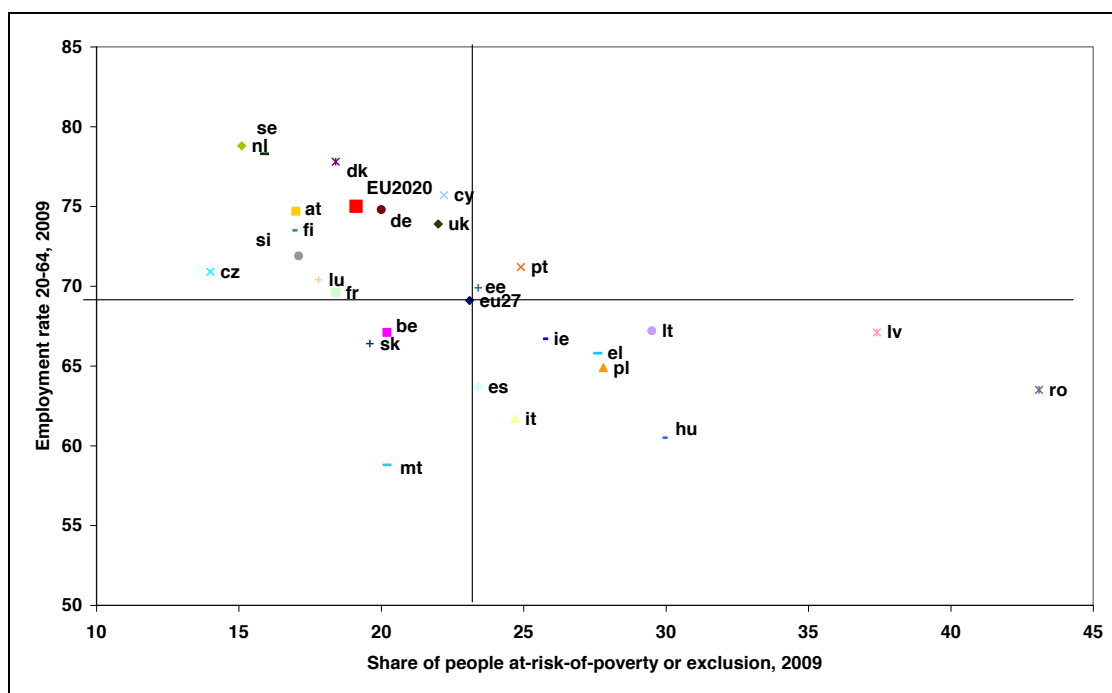
As the European economy is slowly emerging from the worst recession in decades, Member States face the urgent need to ensure the sustainability of public finances and implement structural reforms to correct major macro-economic imbalances and to restore the drivers of growth. Bringing back Europe on the tracks of prosperity is essential to the improvement of the living conditions of all EU citizens, and of the most vulnerable in particular. Over the past decade, economic growth has in general improved overall living standards and many governments have been able to devote more resources to social policy intervention. However, despite the clear redistributive effect of social protection, inequalities have often increased and poverty and social exclusion remain a major issue in most EU countries, although with substantial differences across Europe¹⁵. The crisis has further aggravated the situation. As Member States take the necessary fiscal consolidation measures, it is essential that they are accompanied by structural reforms aiming to preserve EU's human capital. Ensuring that the benefits of recovery are widely shared is an important political aim in the context of Europe 2020 and past experience has shown the high cost of delayed re-integration and the higher cost effectiveness of prevention over remediation. This is why priorities need to be set combining efficiency and fairness.

¹⁵ See also: SPC(2009). "Growth Jobs and social progress: a contribution to the evaluation of the social dimension of the Lisbon Strategy"

Policies to raise employment rates will help if underpinned by active inclusion strategies

Figure 9 illustrates that most countries with high employment rates also have the lowest levels of poverty and exclusion. Exclusion from the labour market, poor working conditions and the lack of opportunities to remain and progress on a segmented labour market are major determinants of poverty. The unemployed and the inactive (non retired adults) represent respectively 10% and 21% of the population at-risk-of-poverty or exclusion. However, the employed represent 24% of the people at risk-of poverty or exclusion in the EU. It is therefore important that labour market policies aim at ensuring living wages for those in work, by addressing **labour market segmentation, low pay and under-employment** (including involuntary part-time working) and at **facilitating access to the labour market** for young people, lone parents and second earners. Specific efforts are needed to address the gender pay gap (17.5% on average in Europe, 2008, out of which only half is due to objective factors) and the situation of women that are particularly affected by the trends mentioned above (45,6% of women in employment were in part-time, fixed-term contracts or self-employed versus 33,3% of men, 2009). National policies must address these inequalities by supporting the increase in the employment rate and hours worked of women, encouraging equal pay initiatives and improving transparency of pay.

Figure 9: People at-risk-of-poverty or exclusion vs. employment rates (%); 2009



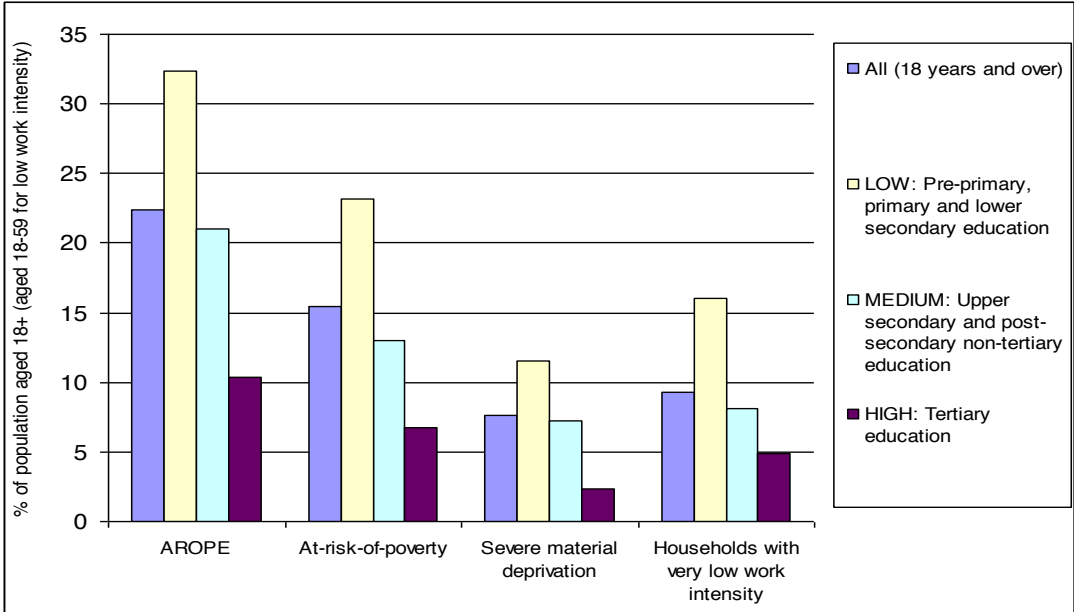
Source: EU-SILC/LFS (2009)

Education and skill levels are important determinants of social inclusion

Improving education levels and ensuring access to lifelong learning for the low skilled will help reducing poverty in the medium and long-term. As highlighted in figures 10a, the **low skilled** (ISCED levels 0-1 and 2) face a risk of poverty and exclusion which is 10 percentage points higher than those with a medium education level, and more than 20 percentage points higher than the high skilled.

Education and training systems are crucial to help break, rather than reinforce, the cycle of disadvantage and to ensure equal opportunities for all. At present, a learner's socio-economic background has a big impact on his/her chances to access and succeed in education and training: at whatever level. Strengthening access to early childhood education and care is essential to support a sure start in life for all. It is also important to make education and training systems more inclusive at all levels and for all ages (primary and secondary school levels, higher education, vocational training and adult learning). The acquisition of basic competences (such as literacy, numeracy and science), as well as of transversal key competences (such as learning to learn, social and civic competence, entrepreneurship and initiative-taking, cultural awareness and self-expression) help people to secure rewarding employment and progress into better jobs and to get new jobs in key growth areas. Targeted support should be particularly focused on the low skilled, unemployed adults and those most excluded from education and training such as the Roma.

Figure 10: People aged 18 and over at-risk-of-poverty or exclusion by level of education (%); EU27 2009



Source: EU-SILC (2009)

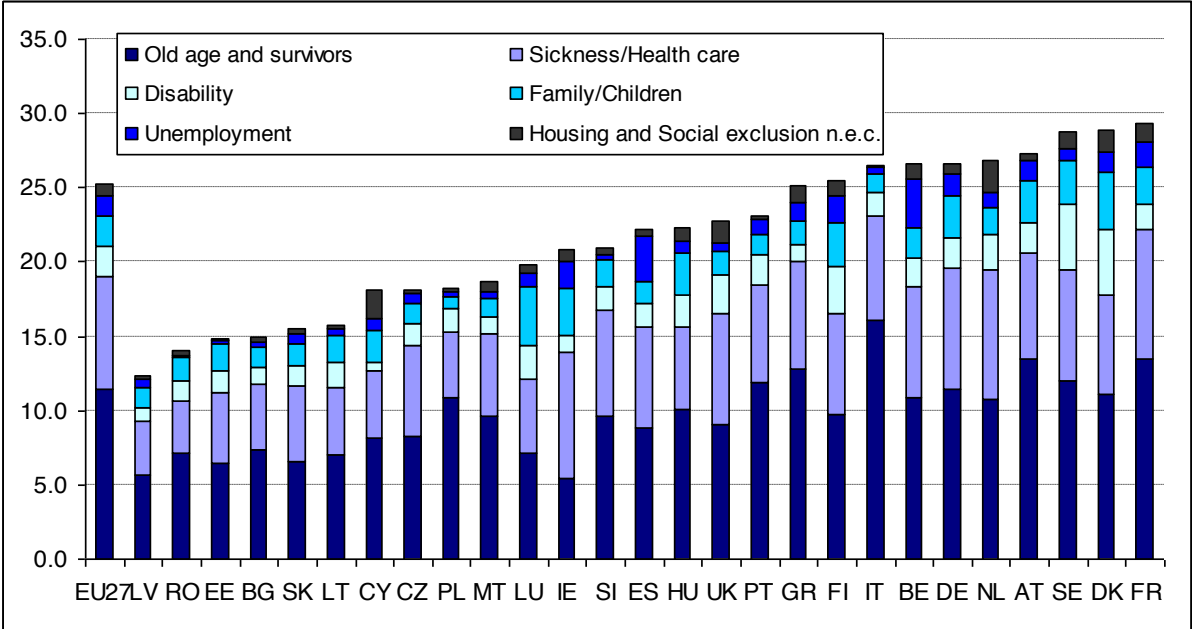
4.2. Preventing poverty through sustainable and adequate social protection systems

The redistributive role of social protection

Social protection plays a redistributive role over the life-cycle; insuring people against social risks and helping reduce poverty. Generally, richer countries spend a larger share of their GDP on social protection and recent economic growth has allowed many governments in the EU to devote more resources to social policy interventions. The structure of social protection expenditure shows that old-age pensions and sickness and healthcare benefits represent the bulk of spending in all EU Member States and are also the areas in which most reforms are taking place.

Pension expenditures represent 43% of gross expenditures on social protection benefits on average in the EU and besides general earnings related schemes, minimum income provisions for older people have an essential role in alleviating or reducing poverty risk amongst the elderly. As highlighted by an SPC study (2005), three main types of minimum income benefits support older people: minimum benefits within the earnings related pensions, flat rate benefits for older people (generally for people aged 65 or more), and separate social assistance benefits. In spite of the level of minimum income benefits for older people, and though income poverty measures have to be complemented by other non-monetary measures (such as imputed rent or material deprivation), it should be underlined that older people remain at a higher poverty risk than the general population in a number of Member States (notably women and oldest people), mainly reflecting past accruals and ongoing indexation of pensions. In that respect, it can be noted that incentives and indexation rules can be designed to benefit or at least not disadvantage those pensioners with modest incomes. A number of Member States have reinforced indexation rules in this sense in the context of the crisis.

Figure 11: Gross expenditure on social protection benefits, by function, in % of GDP — 2008



Source: Eurostat - ESSPROS 2008 – these figures do not take account of possible taxes on benefits received

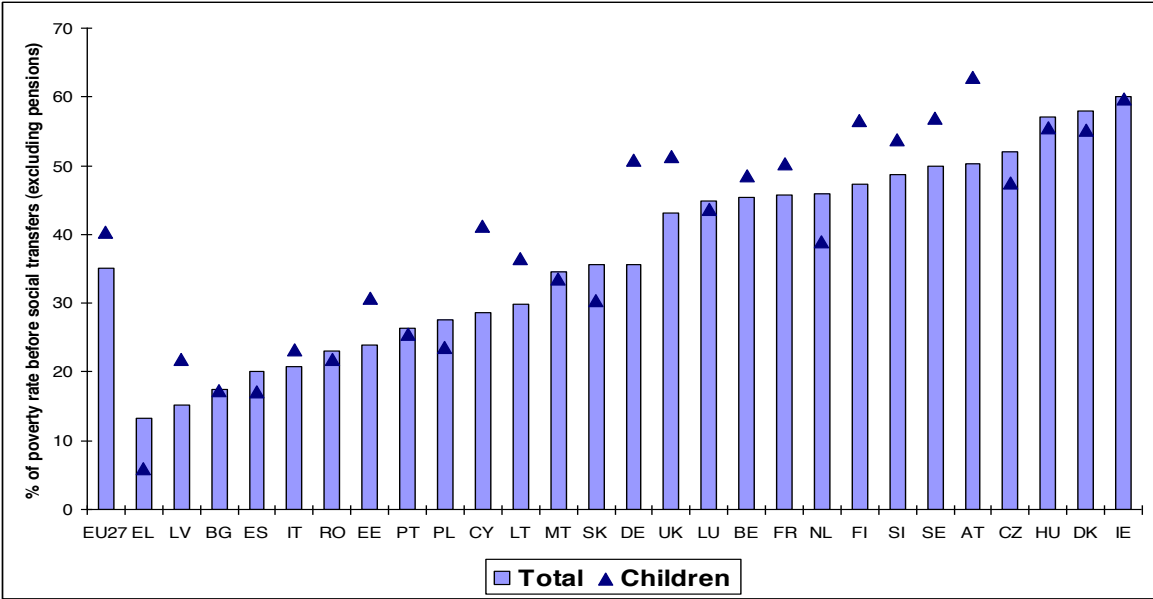
The design of the tax-benefit system is crucial in determining the way and the extent to which it affects income inequalities and redistributes resources to the poor. Important features include the progressivity of taxes and benefits and the degree of targeting and conditionality of benefits that can create disincentive effects, if badly designed. Available evidence highlights a large variation across Member States in net cash support to low-income households.

Figure 12 illustrates one of these effects and shows that social cash transfers other than pensions¹⁶ effectively reduce poverty risks¹⁷. Overall in the EU-27, social transfers (excluding

¹⁶ For the purpose of this analysis, pensions are considered primary income since their role is not only to redistribute resources across income groups but also, and primarily, over the life-cycle of individuals and/or across generations.

pensions) reduce the risk-of-poverty by one third but the degree to which they do so varies substantially across Member States (ranging from a poverty reduction effect of 50% or more in some countries to one of 19% or less in others). This largely reflects differences in the size of expenditure, which vary from 12% to 30% of GDP, but the composition of expenditure and the quality of interventions also play an important role. Countries with similar levels of social spending achieve very different results in terms of poverty reduction. This highlights the potential for efficiency gains in social spending.

Figure 12 – Impact of social cash transfers¹⁸ (excluding pensions) on the reduction of the at-risk-of-poverty rate before social transfers (% reduction), total population and children 2009



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

The evolution of social protection expenditure over the economic cycle

As was highlighted in the SPC report on Growth, jobs and social progress¹⁹, the share of social protection expenditure as a percent of GDP in Member States structurally increased over the last 50 years. This long term increase reflects demographic changes (e.g. evolution of family structure) affecting the demand for protection, the maturing of social protection system (e.g. extended coverage, new types of benefits), and relative price trends and indexation rules. In addition, inefficiencies in provision and lack of accountability and clear budget constraints

¹⁷ The indicator for the poverty risk before social transfers is used to calculate the poverty reduction impact of social transfers other than pensions. It must be interpreted with caution for a number of reasons. First, no account is taken of other measures that, like social cash transfers, can have the effect of raising the disposable incomes of households and individuals, namely transfers in kind (in the areas of housing, health, education), tax credits and tax allowances. Second, the pre-transfer poverty risk is compared to the post-transfer risk with all other things being equal — namely, assuming unchanged household and labour market structures, thus disregarding any possible behavioural changes that the absence of social transfers might entail. Third, social assistance for the elderly is not classified in the same way across countries, therefore the impact of such schemes is unequally reflected in the calculation.

¹⁸ See previous footnote

¹⁹ 2009 SPC report on Growth, jobs and Social Progress: a contribution to the evaluation of the Lisbon Strategy.

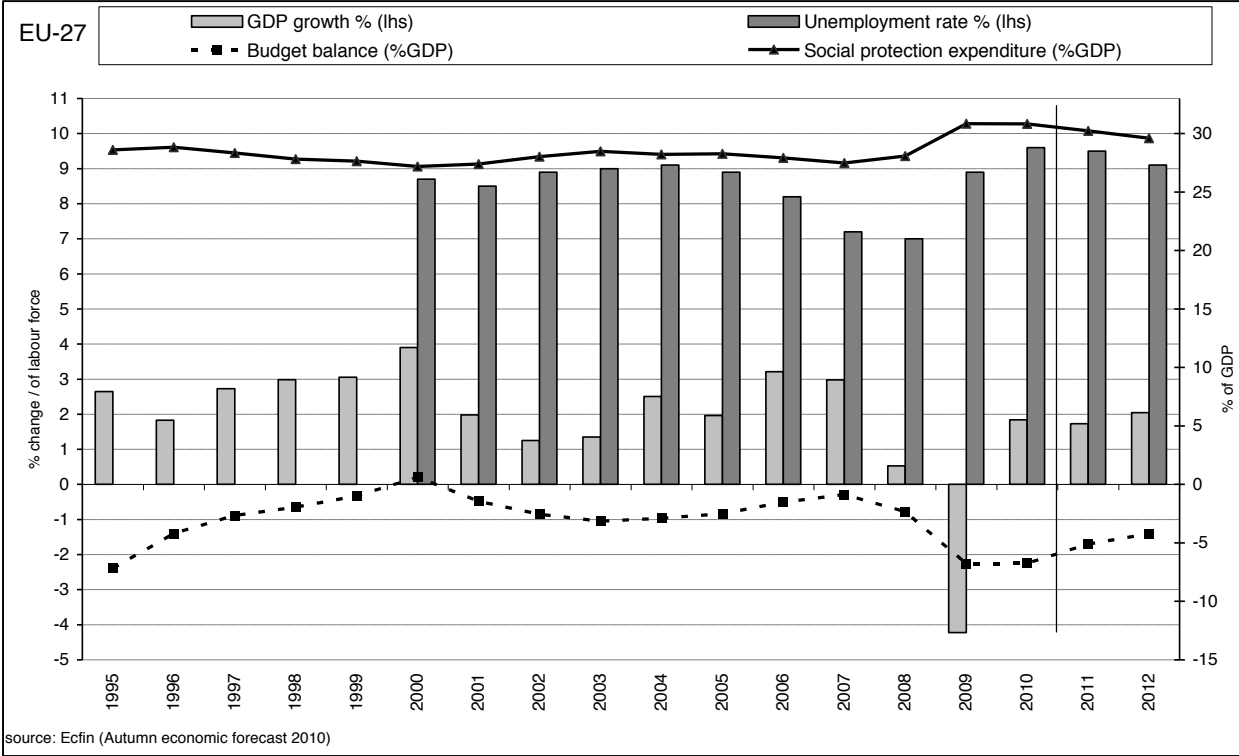
can also contribute to long-term expenditure rises. Finally, hysteresis effects can be observed when increases in short-term unemployment persist and lead to long term labour market exclusion.

Social protection expenditure can be more or less **responsive to the economic cycle**. An analysis of the evolution of social spending and public deficit against the economic cycle illustrate to which extent social spending are counter-cyclical, both in bad and good times (See Figure 13). This evolution clearly depends on how much growth is creating employment, but reactivity to the cycle can be improved by the design of benefit systems.

Anti-cyclical behaviour in social spending, especially on social expenditure, is an important part of **re-bounding an economy in recession**. Member States situation vary greatly in this respect. In many countries, notably those with mature social protection systems, efforts have been made to address the lack of incentives to enter the labour market through adequate transfers, active labour market policies and a balance between rights and obligations. These efforts should be maintained and stepped up. At the same time, in a number of Member States there are substantial gaps in coverage and adequacy, showing that there is a need to complete and/or reinforce social protection systems, including support for the unemployed, access to healthcare for all and ensuring adequate retirement benefits including for those with non-standard careers. In such a process it is important to create protection systems that encourage active participation and cover all the central social risks.

Reshaping social protection systems so that they encourage activity and inclusion is essential. However, it is also clear that good economic and employment performance is a precondition for their well functioning. Hence modernisation of social protection needs to go hand in hand with rapid progress with effective strategies for growth and more and better jobs.

Figure 13 - Real GDP growth, unemployment rate, budget balance and social protection expenditure: evolution 1995-2010 and forecasts 2011-12

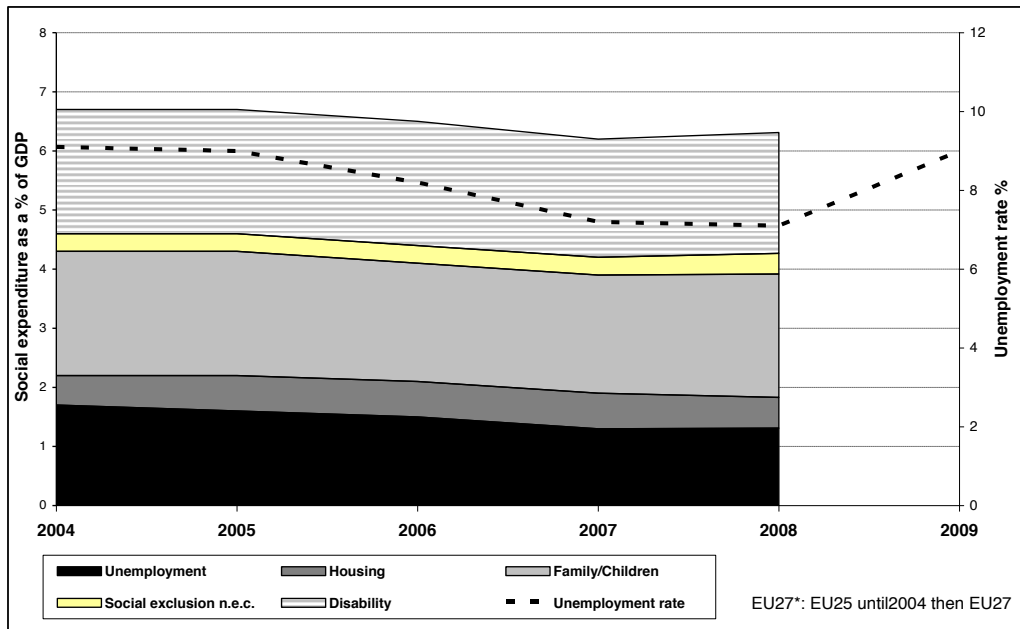


Source: AMECO database²⁰

Figures 14a and 14b illustrate the evolution (for EU 25/27 and EU-15) of selected social expenditure, among those that are most responsive to the economic cycle, namely unemployment benefits as well as social inclusion benefits that are targeted at the most vulnerable in society. The structure and evolutions at national level show a contrasted picture illustrating the variety of situations and priorities among Member States.

As highlighted further in this chapter, the crisis has had a strong impact on the number of recipients of both unemployment and social assistance benefits. It is important to ensure that both unemployment and social assistance schemes are responsive to the business cycle; by increasing the duration and coverage in the downturn and the opposite in an upturn) and by reinforcing safety nets at times when most needed.

Figure 14a – Evolution of the selected social expenditure (% of GDP; excluding old age, survivors and sickness/healthcare) and evolution of unemployment rate, EU27²¹, 2004-2008



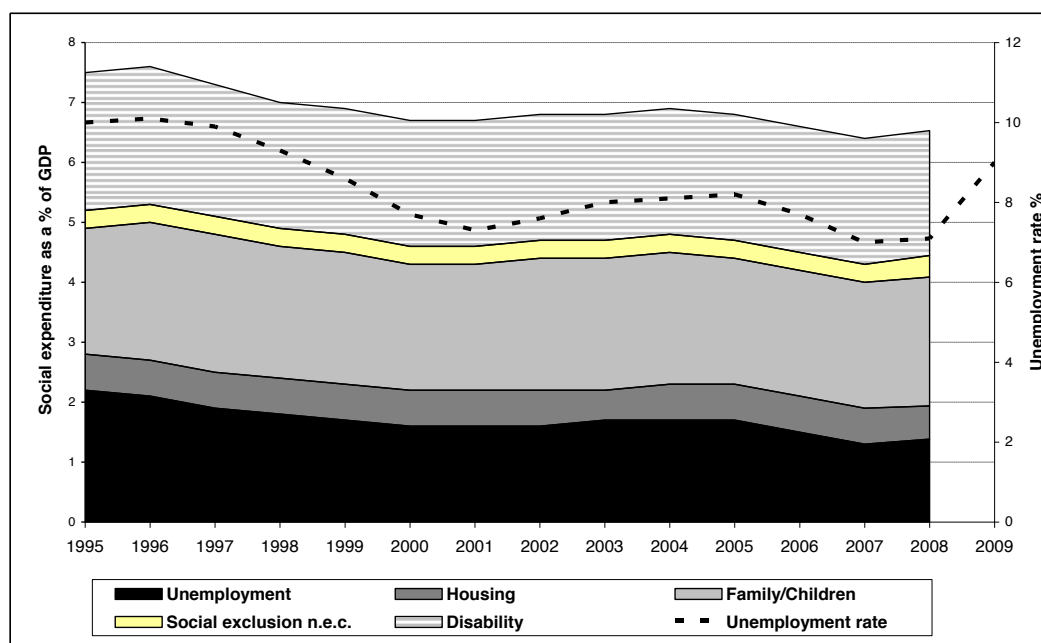
Source: ESSPROS and LFS

²⁰ The AMECO database is based on National Accounts.

In this extract from AMECO the sum of "Social transfers in kind" and "Social benefits other than social transfers in kind" in accordance with European System of Accounts 1995 (ESA95) has been used. Generally speaking the results for total expenditure on social protection is somewhat lower than in ESSPROS. For details on the main differences compared with the European System of Integrated Social Protection Statistics (ESSPROS) in the way social benefits in cash and kind are distinguished please refer to Manual on sources and methods for the compilation of COFOG Statistics, page 65-66, Eurostat, http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-022/EN/KS-RA-07-022-EN.PDF

²¹ EU27*: EU25 until 2004 then EU27

Figure 14b - Evolution of the selected social expenditure (% of GDP; excluding old age, survivors and sickness/healthcare) and evolution of unemployment rate, EU15, 1994-2008



Source: ESSPROS and LFS

The social impact of the crisis and fiscal consolidation enhances the need for welfare reforms based on efficiency and fairness principles

Firm policy intervention and the automatic stabilizers embedded in European welfare systems have limited the economic and social impact of the crisis²². The European Commission forecasts that social expenditure is likely to reach 30.7% of GDP in 2011, against 27.5% in 2007²³. This overall figure hides great diversity in the capacity of Member States to meet the rising demand for social protection, with large gaps in the safety nets that will need to be reinforced in some countries. With growth resuming, and with the termination of crisis specific measures, social expenditure should start decreasing again as a share of GDP even though a time lag is to be expected. Fiscal consolidation which is on the agenda of most Member States will also put pressure on social spending.

As reflected in the December 2010 update of the SPC report on the social impact of the crisis, fiscal consolidation measures will impact on social protection systems. Measures such as tightening conditionality, shortening duration, or reducing the level of benefits, or changing indexation rules may affect adequacy, while increasing the targeting of benefits to concentrate resources on those most in need may create disincentives. Measures to reduce staff in public services are likely to impact on access and quality of services. On the financing side, exemptions from social insurance and other social security contributions may weaken the sustainability of the schemes, while measures to widen the social insurance base could help.

Measures to enhance the efficiency of social spending should include measures to improve the implementation of the schemes (simplification of rules, reduction of administration costs,

²² The stabilising role of welfare system is illustrated in an IZA study (July 2010) which estimates that 47 per cent of a large unemployment shock are absorbed in the EU, compared to 34 per cent in the US. This cushioning of disposable income leads to a demand stabilization of up to 30 per cent in the EU and up to 20 per cent in the US.

²³ As a combined function of the contraction of GDP and a rise in certain social expenditure.

performance indicators, addressing fraud and error) and to stimulate and enable labour market participation of benefit recipients. Integrating social services provision and ensuring quality standards is also important.

The impact of the crisis on unemployment insurance and other social schemes

Labour markets were severely hit by the crisis. At EU level, the employment rate reached its lowest point in the first quarter of 2010 at 64.3%, to increase slightly again in the second quarter, after nearly two years of contraction. The EU unemployment rate has been stable since February, reflecting the underlying recent stabilisation or falls in rates in most of the Member States. Employment in the EU-27 continued declining since the last quarter of 2009 (64.4%) and reached 64.3% compared to 64.8% one year before. The crisis had severe effects in particular groups such as youth (21.4% in Q1-2010 against 16% in Q3-2008), the low skilled workers (16.2% in Q1-2010 against 11.5% in Q3-2008), non-EU migrants (21.2% in Q1-2010 against 14% in Q3-2008). Update with new 2010 Q3.

Following the continued rise in unemployment, the number of unemployment benefit recipients continued to increase between June 2009 and June 2010 in most Member States. The number of recipients of (non contributory) social assistance schemes also increased significantly in a majority of Member States, and in some these absorbed most of the shock.. People on social assistance face higher risks of long term exclusion unless measures are taken to maintain their link to the labour market through active inclusion strategies. No strong pressure on disability schemes was observed, while beneficiaries of early retirement schemes increased in a few countries. Containing the take-up of disability benefits and early retirement is important to limit use of the instrument and when applied to avoid risks of permanent withdrawal from the labour market. For further information see part 2- section 3.

Reforms to ensure adequate and sustainable pensions

Overhauls of the pension systems are ongoing in many Member States and a number of countries have progressed in the implementation of already adopted or planned pension reforms in 2010. The major trends in pension reforms encompass the strengthening of the link between contributions and benefits, the raising of the statutory and effective retirement age, the establishment of automatic adjustment mechanisms to life expectancy and/or GDP developments and enlarging the future role of pre-funded private schemes in pension provision.

An effect of such trends in recent pension reform to increase the role of funded occupational and personal savings schemes and to strengthen the link between benefits, contributory record and career average earnings is that vulnerable groups and people with short and broken labour market careers will become more dependent on minimum pensions and minimum income provisions for older people. Older women are more vulnerable than men due to the persisting gender pay gap, the persistence of sectoral and occupational segregation on the labour market, and the impact of career breaks on women's pension entitlements.

Pensions are crucial for preventing the inflow of older people into the at-risk-of-poverty zone, for lifting people out poverty and for mitigating material deprivation affecting older people

and to ensure them adequate income. Hence, minimum income guarantee pensions and minimum income provisions play a major role in the prevention and mitigation of poverty and material deprivation. To play their part pensions as well as guarantee pensions and minimum income provision for older people need to be maintained at an adequate level within the general context of the way pensions are linked to longevity. For that reason there is an important retirement income protection aspect to the delivery on the Europe 2020 poverty reduction target.²⁴

Most reforms primarily respond to the demographic developments and aim at guaranteeing the adequacy and sustainability of pension systems in the long term. Thus reforms have generally not been particularly motivated by the impact on revenue streams and public budgets of the economic recession. Other pension policy measures, however, have been directly prompted by the crisis and the new financial constraints: notably, several Member States have reduced the indexation of pensions or temporarily frozen pension benefits levels. With growth resuming, it will be important to ensure that these specific crisis related measures come to an end.

Unemployment and short-time work would normally echo pension right accruals and thus in lower future benefit levels. At the same time some Member States show concern about increasing risks of poverty for future pensioners as an effect of the crisis. Here the future pension rights of low-skilled young people who are particularly at risk of long-term unemployment could be especially affected.

The adequacy of a pension benefit cannot be assessed in isolation. The adequacy will depend on the type of cost it is supposed to cover. If older people have access to free health and long-term care when they need it, receive housing and heating allowances, get discounts on public utilities such as water, transport, radio and TV, pensions can be adequate in a poverty protection sense even though their monetary value fall below the at risk of poverty threshold. Access to supplementary benefits in cash and kind therefore play a large role in the poverty preventing adequacy of pensions and here differences between Member States are large²⁵.

The role of health care and long-term care

Health risks for poor people and vulnerable groups are particularly high. Likewise people with physical and mental health problems may end up poor. Tellingly in this regard, data show that health expenses are highly concentrated, with about 5% of patients accounting for nearly half of all costs.²⁶ Long term poverty is likely to impact seriously on the health status of those affected. Access to quality health services is a key element in efforts to lift people out of poverty and to prevent that they slide into it.

In order to achieve the objective of inclusive growth and in response to the widening gap in health status between rich and poor in many member states Europe 2020 identifies the need

²⁴ Pensions also play the role of maintaining to a reasonable degree living standards after retirement. Apart from measuring the at-risk-of-poverty rate of elderly people, two other main indicators have been developed within the OMC: median relative income ratio of elderly people and aggregate replacement ratio.

²⁵ In future work the SPC intends to examine further the importance of access beyond pension income to social protection and subsidised services and goods for the at-risk-of-poverty of retired people.

²⁶ Joint Report on Health Systems, 2010, prepared by the European Commission and the Economic Policy Committee (AWG), available from: http://ec.europa.eu/economy_finance/publications/

for a major effort to reduce health inequalities. This requires concerted action across policy areas including equitable access to affordable high quality health services. Overall, the question of cost-effectiveness is crucial if countries are to ensure universal access and equity in health in a context of constrained resources.

Given the links between poverty and poor health status poor people are likely to be at higher risk of developing chronic disease and/or require long term care and support from health services, social care services or both. Conditions for access to health and social care services are therefore of particular importance in a poverty and poor health perspective. Poor people are obviously not able to contribute much to the cost of long term health and social care. In some Member States pension income is often replaced by a pocket money allowance for people in long term residential care. One key question would be to what degree this meets the standards of a dignified life with a reasonable element of autonomy? Another important question concerns the quality of long term health and social care provisions.

Even two years into the crisis it is still difficult to give a full picture of the effects on the health status and health-related behaviour of specific population groups. It remains difficult to evaluate the specific impact of the crisis compared to other possible factors or already existing health trends. However, Member States have identified negative impacts of the crisis on citizens' mental health status, notably in the following areas: depression, anxiety, increased alcohol consumption and suicidal behaviours. In some Member States particularly affected by the crisis provisional data show a clear and very worrying increase in suicides.

In the context of reforms of the health care and social services sectors, long-term care represents a key area for intervention in many Member States. The purpose of these reform processes is to improve the efficiency, access, effectiveness and sustainability of the long-term care and social service provision and to improve quality of life of service users. Several measures have been implemented with the aim of supporting the de-institutionalisation of the long-term care sector, of promoting home and community based care and of improving end-of-life care.

The increasing costs associated with long term health and social care has become a pressing issue across Member States which has prompted comprehensive policy and strategy reforms in recent years, regardless of constraints generated by the crisis. Furthermore, some Member States have planned, or will soon launch specific plans either to improve access to affordable long-term care and thus improve social inclusion or to organise and guarantee long-term sustainability of LTC systems. Others have recently implemented a number of measures (Home care package scheme, Nursing Home Support scheme, etc.) whose practical impact is to improve the financing of this type of care.

This is why, as part of the EU 2020 Strategy and its Innovation Union flagship Initiative, the Commission has launched a pilot European Innovation Partnership in the field of active and healthy ageing. The aim of the partnership by 2020 is to enable European citizens to live longer independently in good health by increasing the average number of healthy life years by two and by improving the sustainability and efficiency of the European social and healthcare systems. This calls for stepping up the discovery and development of screening, detection and (non-invasive) diagnosis of medicine and treatments to prevent and address specific diseases. In addition, innovative solutions including ICT and other technologies have the potential to provide high-quality, personalised medicine and health/social care while increasing the efficiency of Member States care systems.

Ensuring access to high quality social services

Access to social services which address the special situation of those excluded from society and the labour market is an essential part of a comprehensive strategy to fight poverty. It is therefore important for Member States to continue and strengthen their efforts in the organisation and financing of high quality, affordable and cost-effective social services, "designed to respond to vital human needs, in particular the needs of users in vulnerable position".

A crucial challenge for the sector is the ageing of the population, associated with an increased risk of chronic disease. If not adequately tackled, there is a risk of an increase in the number of European citizens suffering from chronic disorders such as neuro-degenerative diseases (Alzheimer/Parkinson), cancer and cardiovascular diseases. This would in turn lead to an increasing demand for social services and, consequently, to a greater need for a well-qualified and sufficiently large workforce in this sector. The growth in the demand for social services also reflect other deep-rooted trends in the EU's economies and societies resulting from changes in gender roles and family structure (e.g. an increase in single-person households and greater participation of women in the labour market), from more flexible labour markets and from technological change and globalization. Owing to those trends, the demand for social services is becoming more complex: an increasing number of people will require efficient services adapted to diversified needs and choices²⁷.

Other important challenges that the sector is facing are the uneven gender balance of its workforce as well as its ageing. However, the challenges posed by an ageing workforce and the existing gender bias may be turned into opportunities for increasing the labour market participation of groups currently under-represented in many Member States, such as women and older workers²⁸.

On top of these structural challenges, in all Member States the economic crisis has put social services under serious pressure. As the economy has contracted, both the need and demand for social services has increased. At the same time, cuts in social spending have limited the sources of finance available to social services, which are for the most part funded by public budgets. In this context of rising demand and limited financial resources, the quality, accessibility and availability of social services may be seriously affected²⁹.

Moreover, the effect of the economic recession on social services varies greatly among the Member States and even among various regions within the same Member States, which may further exacerbate regional discrepancies and put additional strain on social cohesion. Most Member States have included specific measures in their recovery packages to mitigate the impact of the economic crisis on the social services sector. Such measures are targeted at the most vulnerable categories of people, such as families with children, young people, jobless families, the low-skilled and older workers.

²⁷ See Second Biennial Report on social services of general interest, SEC(2010) 1284 of 22 October 2010, section 1.3.1.

²⁸ Idem, sections 1.2.1 and 1.2.2.

²⁹ Idem, sections 1.3.2 and 1.3.4.

4.3. Social inclusion policies

Social inclusion policies play a key role at addressing the needs of the most vulnerable in society. The implementation of active inclusion strategies is a proved way of increasing efficiency of social spending. It is also essential to continue investing in the fight against child poverty which must remain a priority under any circumstances. The transmission of poverty down the generations means poorer educational and health outcomes, greater difficulties to integrate the labour market and wasted potential for the individual and society.

Breaking the inter-generational transmission of poverty

25 Million children were at risk of poverty or exclusion in 2009. Experiencing poverty and deprivation in young age affects children's well-being and can have long term detrimental impacts on their educational achievements and future life chances. This is why it is important to put in place broad strategies to support children and families. This entails supporting the labour market participation of parents, including of lone parents and second earners; investing in the quality of child care (quality standards, professionalization of staff, etc), and in early childhood intervention in areas such as health and education, and guaranteeing adequate income support to families through a combination of well designed universal and targeted benefits. However, the monitoring of the crisis has shown that, in some countries, fiscal consolidation measures will affect child and family benefits and other benefits that are important for families (housing).

Besides, efforts to tackle child poverty have to go hand in hand with the development of education systems, starting from pre-primary school. Currently, one in seven young Europeans drops out from school with less than upper-secondary education, and this rate is particularly high for young people with a migrant background or Roma children. While the number of higher education students from disadvantaged backgrounds has increased, their access and graduation rates remain lower, and important differences can be found across Member States. More efforts are needed to ensure that education systems break, rather than reinforce, the cycle of disadvantage. This involves in particular preventing and tackling early school leaving, while making education and training systems more inclusive at all levels and for all ages.

Investing in active inclusion strategies

Poor economic conditions and high unemployment create risks of long-term exclusion, affecting the employability and skills of the work force and undermining the mental and physical health of populations. Active inclusion strategies combining adequate income and labour market support and access to enabling service can prevent long-term exclusion and increase the efficiency of social spending. The active inclusion approach has proved to be a step in the right direction, especially during the economic crisis: workers in precarious forms of employment were the first to lose their jobs and received only limited protection, such as unemployment benefit, from social insurance schemes. Minimum income schemes have provided invaluable safety nets, which now need to act as springboards to employment.

However, more needs to be done to implement the active inclusion strategy fully, as increasing numbers of people have to rely on social assistance and face long-term exclusion (with attendant risks to health and employability). Most successful reforms carried out in the Member States include reorganising frontline services to provide one-stop-shop approaches and individualised support for vulnerable people (See example on homelessness in Box 3), linking out-of-work and in-work benefits to create a bridge to employment, and to link employment policies and social support. In particular, it is important to strengthen safety nets and labour market support for the most vulnerable where they are weak and most needed, thus strengthening their contra-cyclical effect.

Budgetary constraints are putting pressures on the sustainable financing of social services and the quality of intervention. In order to promote more efficient and effective policy intervention many Member States also intend to promote social innovation and foster public-private partnerships in the delivery of services, as well as to tap into the potential of the social economy. This makes it all the more essential to focus on the quality of services delivery.

Box 3: 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. It adopted the “Housing First” principle, which operates on the basis that appropriate accommodation is a prerequisite for solving other social and health problems. The programme’s main elements are: secure permanent accommodation with a tenancy agreement; turning conventional shelters into supported, rented units; avoiding eviction by providing housing advice services and financial support; drafting plans for individual rehabilitation and services; guidance in use of normal welfare services; and peer support and community building. The programme focuses on the most vulnerable sections in the homeless population.

The first evaluation of the financial effects of the Finnish programme finds that the average saving per resident was EUR 14,000, which is over 50% of the total cost during homelessness. Finland estimates that when the programme’s quantitative target of creating 1250 new dwellings, supported housing or care places directed towards the long-term homeless, has been achieved the total saving could be EUR 17.5 million a year³⁰. These cost calculations have not taken into account the positive changes that happen at the local level such as possibly reintegrating people into working life and thus generating higher tax income.

Key lessons identified in the peer review are that an effective strategy to tackle homelessness has to be evidence-based, comprehensive, multidimensional, participatory, sustainable, means-based, pragmatic and include all stakeholders. Clear political will is necessary as is a mechanism between central and local government. Identifiable and measurable objectives should be set. For further information see the [peer review website](http://www.peer-review-social-inclusion.eu/peer-reviews/2010/the-finnish-national-programme-to-reduce-long-term-homelessness)³¹.

³⁰ http://www.peer-review-social-inclusion.eu/peer-reviews/2010/the-finnish-national-programme-to-reduce-long-term-homelessness/host-country-report_fi10/download

³¹ <http://www.peer-review-social-inclusion.eu/peer-reviews/2010/the-finnish-national-programme-to-reduce-long-term-homelessness>

Preventing and fighting elderly poverty and social exclusion

The maturing of pensions systems has helped reduce poverty risks for the elderly in many countries. However, on average, the elderly experience a risk of poverty which is higher than the overall population (at 17.9%) and in a number of countries, they are particularly exposed to material deprivation. Besides, the crisis and lower growth prospects are likely to impact on all types of pension schemes and aggravate the challenge of elderly poverty, in particular for people with short or discontinuous work careers.

Minimum or guarantee pensions and minimum income provisions play a major role in the prevention and mitigation of poverty and material deprivation among older people. Adequate and well-designed pensions with effective indexation rules are an essential lever in this view. However, the overall design of welfare systems needs to be taken into account in the implementation of poverty prevention strategies. Access to supplementary in-cash and in-kind benefits therefore play a large role in the poverty prevention and pensions reforms need to take into account the design of the welfare systems as a whole. Given the links between poverty and poor health status, the provision of quality and affordable long-term care is crucial for poor people.

Social inclusion of groups at risk, anti-discrimination

Particular attention should be given to addressing the situation of groups particularly exposed.

Young people are disproportionately affected by unemployment. Low and unskilled young people are particularly at risk of getting stuck in unemployment and being exposed to poverty, as often they are barred from further education and training programmes and as, at best, they only have social assistance at youth rates to fall back on and may have difficulty accessing essential services such as health care. Deprivation and homelessness will represent very real threats to them if youth unemployment becomes entrenched.

The economic crisis represents a challenge for the migrant population, often the first to be hit in a context of rising unemployment. In the first quarter of 2010 the unemployment rate of migrants has reached over 21%. The loss of employment, compounded with the fact that migrants are often employed in sectors where working conditions are particularly flexible, raise serious issues in relation to their access to social security safety nets.

People with disabilities generally are frequently confronted with major economic and social difficulties, which often involve a high dependency on social transfers and impact on their household as a whole. Some 6.5 million of the people at-risk-of poverty or exclusion declare some form of disability, and addressing the specific forms of discrimination and exclusion they face requires interventions across a range of different policy areas (social protection, labour market, access to goods and services, healthcare...).

Ethnic minorities, of whom Roma represent the largest group, are often disproportionately affected by unemployment, poverty, bad housing, poor health standards, violence and discrimination. Many Roma live in substandard, segregated housing and accommodation. Roma children are more likely to be taught in segregated schools, to have poor attendance records, and to leave school early. In order to tackle their multiple disadvantages, complex interventions are needed in the field of education, employment, health and housing.

Women face a higher poverty risk, particularly lone parents and the elderly, when the pay gap becomes a 'pension gap'. Barriers to employment are also reflected in higher inactivity rates and higher long-term unemployment rates. In addition, amongst disadvantaged groups (i.e. migrant workers, disabled, elderly) gender gaps tend to be much wider and cause many problems for women. Active ageing policies and specific measures in the pension sector are also needed to ensure that women have adequate means when they retire.

4.4. The use of the European Social Funds to support the Europe 2020 strategy

The European Social Fund (ESF) is the main financial instrument at European level to promote employment, social inclusion, equal opportunities and develop the skills and competences of people. With a total budget of 76 billion Euros for the 2007-13 period, the ESF has a key role to play in delivering the Europe 2020 strategy.

The EU budget review outlined a new strategic programming approach for cohesion policy for the next programming period with a view to establishing a closer link with the Europe 2020 strategy, the flagship initiatives and the Integrated Guidelines. In order to foster smart, sustainable and inclusive growth, the EU budget must focus on adding value by identifying where to spend intelligently in order to make a difference for EU citizens. The conclusions of the fifth Cohesion Report call for the concentration of resources on a small number of priorities in order to deliver on the headline targets of Europe 2020.

The ESF directly supports the achievements of three of the five headline targets in the field of education, employment and social inclusion. It also contributes to the targets on R&D. The ESF is also the single most important European financial instrument at the disposal of Member States to support social inclusion policies with a view to achieving the poverty target. In this context, the successful implementation of Europe 2020 can be supported by ensuring predictable and substantial funding volumes in the next EU budget for the European Social Fund. Member States should have the flexibility to identify their own challenges, set their own objectives and align the Structural & Cohesion Funds with their own policies and programmes in a tailor-made way. Aligning Structural & Cohesion Funds in this way would both allow 'ownership' of cohesion policy by individual Member States and minimise the regulatory burden.

As described in the 2008 Joint Report on Social Protection and Social Inclusion, in the 2007-13 programming period Member States have created 117 'operational programmes' at national and regional level corresponding to their specific situations and needs in various policy fields. Around 10 billion, representing 12% of the total ESF budget has been earmarked to promote the social inclusion of vulnerable groups. In addition, around 20 billion Euros have been allocated to enhancing access to employment and preventing unemployment.

Most Member States use the European Social Fund to implement tailor-made measures adapted to the needs of the specific target groups combining individual guidance, training and employment support. Experience shows that this pathway approach, which also takes into account the particular needs and personal characteristics of individuals from disadvantaged backgrounds is the most efficient way to re-integrate marginalised groups in the labour market, promote their social inclusion and reduce the risk of poverty. Gender mainstreaming, the promotion of equal opportunities and anti-discrimination measures are also widely supported by ESF in Member States.

Beyond measures directly linked to promoting social inclusion, ESF actions aim to prevent exclusion and reduce poverty through early intervention. Investing in skills and knowledge, improving the adaptability of workers to prevent unemployment or fighting early school-leaving all have a major role to play in reducing poverty in the medium term. In 2009 the ESF supported 4,3 million low-skilled people, who did not have higher than primary or lower secondary education.

As described in greater detail in the 2010 Joint Report on Social Protection and Social Inclusion, Member States have made extensive use of the ESF funding to cushion the impacts of the economic crisis, prevent unemployment and reintegrate into the labour market those people who have lost their jobs. **Annex 1** of this report presents a number of examples how Operational Programmes have been refocused in response to the crisis.

4.5. The use of other EU funds

The **PROGRESS** programme supports mutual learning and knowledge building in areas such as employment policies, social inclusion, social protection reforms and equal opportunities and supports the implementation of EU social laws. In this way, it has been instrumental to shape and consolidate EU cooperation in the social field.

Both the EU and the European Investment Bank have committed themselves to contributing € 100 million each to the **European Progress Microfinance Facility**. This fund aims to provide around € 500 million to microloans over the coming ten years. Microfinance is an important means to stimulate self-employment and the creation of micro-enterprises and can potentially play a significant role in promoting both social inclusion and job creation.

The achievement of the social inclusion objectives of the EU will also rely on the current and future operation and design of the **European Regional Development Fund (ERDF)**. The fifth Cohesion report adopted in November 2010 provides the main orientations regarding the future Cohesion policy focusing on Europe's key priorities. It allows for a closer link between the social and the territorial agenda. Decreasing disparities and combating continuously high levels of poverty, in particular in urban areas, will, in the future, require targeted actions covering economic, social and environmental aspects. Such actions should be closely coordinated with ESF actions.

People at-risk-of poverty or social exclusion tend to be over-represented in rural and geographically isolated areas and communities. In some Member States the poverty risk in rural areas is double that of urban ones. The **European Agricultural Fund for Rural Development (EAFRD)** contributes to the development of social and educational infrastructure and services, and more generally, to enhancing human capital in rural areas. In recent years, rural development policy interventions have been increasingly geared towards social inclusion objectives. Synergies between actions supported by structural funds in both rural and urban areas should be further enhanced.

The promotion of advanced European socio-economic research has also been supported through the **Research Framework Programme**, notably through the development of new methodologies, progress indicators or research infrastructures.

5. THE WAY FORWARD

To make progress on lifting 20 Million of people out of poverty in a period of fiscal consolidation, social welfare systems need to set priorities combining efficiency and fairness. As budget cuts are already happening, it is essential that they are accompanied by structural reforms aiming to preserve EU's human capital and take full advantage of recovery. Innovative approaches to social policy are needed more than ever, to ensure that what can be spent is spent as efficiently as possible. As increasing numbers of people have to rely on social assistance and face long-term exclusion (with attendant risks to health and employability), prevention will be more cost-effective than remedy, as past experience of the high cost of delayed re-integration shows.

Active inclusion strategies are a proved way to improve the efficiency of spending and can help to ensure that the benefits of growth and employment are widely shared. Breaking the inter-generational transmission of poverty, starting with children, and ensuring fair chances for everyone is a top priority. It will also be important that Member States reinforce their capacity to assess the social impacts of their major policy and spending decisions.

High unemployment levels and greater constraints on public finances have put social assistance and the provision of quality services under great pressure. Providing integrated support to the most vulnerable in order to prevent long-term exclusion has become both more difficult and more urgent. Member States should consider:

- ⇒ Implementing **integrated active inclusion strategies** combining adequate income and labour market support (such as training, job-seeking assistance) and social services such as child care, housing, rehabilitation. This may involve linking social assistance to activation measures and access to services.
- ⇒ **Reinforcing social safety nets** by improving their coverage and the level of the benefits in countries or regions **where they are weak**; improving the take-up of benefits by simplifying rules, improving information of potential beneficiaries and addressing errors in evaluation procedures and discretionary assessment.
- ⇒ Ensuring the **sustainable financing of social services** and the quality of intervention.

Many Member States consider breaking the inter-generational transmission of poverty as a top priority. However, across Member States, policies to fight child poverty are still at very different stages of implementation and considerable differences in outcomes remain. Member States should consider:

- ⇒ strengthening **early childhood intervention** in areas such as health and education,
- ⇒ investing in the availability and quality of **child care** (quality standards, professionalization of staff, etc);
- ⇒ guaranteeing **adequate income support** to families through a combination of well designed universal and targeted benefits.

PART II: MAIN FINDINGS OF THE THEMATIC WORK CONDUCTED IN 2010 ON SOCIAL INCLUSION AND SOCIAL PROTECTION

The integration of policies across priority areas is inherent to Europe 2020. The need for an effective interaction between economic, employment and social policies and objectives is reflected in the inclusive growth priority of the Strategy.

As requested by the EPSCO³², the SPC will contribute to the work of the Council on the social dimension of the Europe 2020 Strategy building on its important experience of ten years' cooperation in the field of social protection and social inclusion policies, under the framework of the Social OMC. Therefore, in addition to monitoring progress towards the poverty and exclusion target at EU and national level and following up the relevant policy orientations given by Member States in their draft National Reform Programmes, the SPC contribution to EPSCO on Europe 2020 also includes the results of other work conducted by the SPC in line with its mandate to monitor the social situation and the development of social protection policies in the Member States and the Union. In continuing its work on the development of Social protection and social inclusion policies, the SPC will strengthen its contribution to work in the context of the Europe 2020 Strategy

For the 2011 SPC report, the part reviewing the social situation and the development of social protection policies reflects the main activities conducted by the Committee in 2010, namely the EC-SPC crisis monitoring report, the EPC-SPC report on pensions and the SPC work on the social services of general interest (SSGI). It will also draw on the conclusions of the SPC report on Growth Jobs and Social Progress (2009).

1. SPC/EPC REPORT ON PENSIONS

In 2010 the SPC joined forces with the EPC in developing a major Joint analysis of "Progress and key challenges in the delivery of adequate and sustainable pensions in Europe. This resulted in a Report with country fiches where the two Committees took stock of progress in the last decade of pension reform, assessed crisis setbacks and resulting aggravated challenges in order to formulate an updated agenda for delivering adequate and sustainable pensions, which formed the basis for jointly agreed council conclusions which were adopted in late November. Key findings from the Report are summarised below.

Progress: Faced by a strong increase in the old age dependency ratio, most Member States have over the last decade reformed their pension systems to retain sustainability as well as adequacy and to ensure fairness between and within generations and between men and women. Reforms have brought important progress, notably in sustainability for public pension schemes, and to varying degrees also in some aspects of adequacy and minimum income provisions for older people in particular. The adopted reforms considerably limit the growth in projected public pension expenditure over the long-term. Thereby reforms greatly improve the ability of public schemes to continue to provide adequate pension benefits in a sustainable manner.

New Risks: Ongoing reforms might bear considerable risks in terms of both adequacy and sustainability. In many Member States reforms are changing pension systems from largely

³² Council Conclusions of 6/12/2010 "*The Social dimension in the context of an integrated Europe 2020 Strategy*" (Council doc. 16512/10).

single tier to truly multi-tier systems. As changes in pension systems will tend to make benefits more contingent on developments in labour and financial markets, important risks relate to employment rates not increasing enough or capital markets not delivering as expected. The crisis has highlighted the need to review the degree of financial market exposure and the design of risk sharing in funded pensions. Some changes may be required in order to improve the safety and efficiency of benefit accruals through better risk mitigation, enhanced capacity for shock absorption, clearer information about risks and returns of different investment options and more efficient administration.

Remaining risks aggravated by the crisis: the challenge of adapting the pension systems in some of the EU Member States to expected demographic changes is still very real. Additional reforms of pension policy will be needed in several countries. Importantly, sustainability and adequacy concerns for all types of pension schemes have been aggravated by the crisis. Budgetary consolidation, which is more urgent after the economic crisis, is essential in order to reduce public debt and to contribute to financing the future increase in public pension expenditure. Regarding adequacy, today's pensioners have generally been well-protected against the crisis, but pensions may be affected by unemployment periods and lower contributions and poorer returns in financial markets. The crisis has an impact on the currently active population, and thus on the accumulation of pension rights, notably for younger generations.

Aggravated challenges and prospects: Deterioration in the fiscal positions has aggravated the challenge of financing public pensions and subsidies for supplementary private pensions during accelerated population ageing. For several Member States fiscal consolidation is a necessary precondition for responding to the pensions challenge. All pension system designs have pros and cons and all need to adapt to long-term demographic and economic trends. The challenge for policy makers is to aim for a good balance between sustainability and adequacy.

Policy implications: Pension systems and pension policy differ considerably across EU Member States. All systems entail risks and need to be adjusted to major long-term trends. The challenge for policy makers is to pay attention to the different associated risks and aim for a good balance between sustainability and adequacy concerns. Pension policy needs to ensure that retirement incomes are adequate to maintain certain living standard and avoid poverty in old age now and in the future. Adequacy and sustainability are two faces of the same coin. In general, a broader participation of the population to the labour market is necessary to ensure both. Growth prospects, appropriate work incentives, open labour markets and increasing effective retirement ages are needed to ensure adequate pensions. Achieving the necessary extension in working lives in view of continuous gains in life expectancy will prove challenging as adjustments will also be needed in age management in work places and labour markets and in the expectations and behaviour of workers.

Looking forward, policymakers need to ensure pension systems change more proactively to reflect demographic and economic developments. To address intergenerational equity and financial stability, system parameters, e.g. pensionable ages and/or pension benefits, should take into consideration changes in longevity. Ensuring a solid foundation for delivering adequate and sustainable pensions will entail:

- (i) making pension and employment policies mutually supportive; reflecting earnings and contributory records in benefits; establishing mechanisms that reward working longer and reduce benefits in case of early pension take up; achieving and maintaining an appropriate balance between years spent in work and in retirement.

(ii) making sure that public and private pension provision complement each other in an optimal way, while taking due account of the country-specific situation; recognising the role of appropriately financed public pensions as an economic stabilizer; encouraging the build-up of supplementary entitlements through occupational and personal schemes; improving minimum income provisions for older people where needed; exploring options for improving risk sharing and shock absorption in order to enhance the stability of pension schemes and the safety of retirement incomes.

Finally the report emphasised that pension policies should be considered in a comprehensive manner using existing EU level policy coordination frameworks and taking into account the many inter-linkages between labour markets, social protection systems, financial market policies, and other relevant policies. More specifically, the report underlines that in their methodological work and on the basis of their specific mandates and agreed procedures the SPC (ISG) and the EPC (AWG) should aim at enhancing consistency in concepts and methods used when addressing adequacy and sustainability.

2. THE VOLUNTARY EUROPEAN QUALITY FRAMEWORK FOR SOCIAL SERVICES

The voluntary European Quality Framework for social services adopted by the Social Protection Committee on 6 October 2010, aims at creating a common language on social services quality across the EU.

A follow-up to the 2007 Communication on services of general interest, it received a new political impetus when President Barroso in his 'Political Guidelines for the next Commission' proposed the establishment of a 'quality framework for public and social services' to 'give a boost to the overall development of the social and health services' sector'.

The Framework identifies a few overarching principles referring to the characteristics that a social service should have in order to address the multiple needs and expectations of the service user (Availability, Accessibility, Affordability, Person-centeredness, Comprehensiveness, Continuity and Orientation towards outcomes).

It also highlights principles related to three dimensions of service provision: (i) the relationships between service providers and users (Respect for users' rights, Participation and empowerment), (ii) the relationships between service providers, public authorities and other stakeholders (Partnership, Good governance) and (iii) human and physical capital (Good working conditions and working environment/Investment in human capital, Adequate physical infrastructure). For each of the principles concerning these three dimensions of service provision, operational criteria are suggested which might be of help for the monitoring and evaluation of social services quality.

The European Quality Framework also encompasses some elements for a methodology to develop quality tools (standards or indicators) at national or local level, in line with the indications of various stakeholders. The methodological elements presented cover six aspects of quality tools: (i) definition; (ii) scope; (iii) validity; (iv) cross-country comparability; (v) data availability and (vi) responsiveness.

By proposing these elements, the Framework should help public authorities in charge of organising and financing social services to develop at the appropriate level specific tools for the definition, measurement and evaluation of social services quality.

The implementation of the voluntary Quality Framework by the public authorities and all relevant stakeholders in the Member States will be supported notably through the exchange of good practices, as well as by financing transnational projects.

As suggested in the European platform against poverty and social exclusion, adopted on 17 December 2010, the SPC will consider whether the Quality Framework should be further developed at sectoral level, including in the field of long-term care and homelessness.

3. THE MONITORING OF THE SOCIAL IMPACT OF THE CRISIS

The Social Protection Committee (SPC) and the European Commission have continued to monitor the social impact of the crisis in 2010. Building on previous reports, the updated assessment of December 2010 focused on fiscal consolidation measures and new policy measures taken since last years' reporting. Key findings from the SPC Report and from the report on the social impact of the crisis of the EU Network of National Independent Experts on Social Inclusion³³ are summarised below. See also section 3.2.1 *Social impact of the crisis and fiscal consolidation enhances the need for welfare reforms based on efficiency and fairness principles*.

Already in autumn 2009 Member States reported a stronger emphasis on provisions aimed at ensuring budgetary discipline³⁴. At the same time fiscal consolidation packages were planned. The updated assessment at the end of 2010, finds that a significant number of Member States have launched fiscal consolidation measures for the medium-term. In most cases these measures will take effect in 2011. While varying across countries, fiscal consolidation will consist in general of a mix of reduced public spending and increased tax revenues, thus improving the overall state of public finances, and will impact on social inclusion and social protection policies.

Changes implemented by Member States have reduced the number of people eligible for benefits, reduced benefit levels and shortened the benefit period. The national independent experts find that there is no consistent picture across Member States of the relative importance of unemployment and last resort schemes, and the actual interaction between them in light of the crisis. There are indications that means-tested schemes become more important vis-à-vis insurance based unemployment benefits, as people move from time limited unemployment benefits means-tested assistance benefits. Tightened eligibility conditions for unemployment benefits may also contribute to this trend. In addition, in some instances there are groups that do not qualify for insurance based benefits, in particular young unemployed and those in precarious employment, and thus depend from the outset on means-tested payments.

³³ The EU Network of National Independent Experts on Social Inclusion assists the European Commission in monitoring and evaluating the situation with regard to poverty and social exclusion and the policies that are relevant in this respect in the Member States and candidate Member States.

³⁴ Second joint assessment by the Social Protection Committee and the European Commission of the social impact of the economic crisis and of policy responses, <http://register.consilium.europa.eu/pdf/en/09/st16/st16169-ad01.en09.pdf>

A few have taken measures to reduce the number of staff in public services. Housing and related services emerge as one area which according to the independent experts has been particularly adversely affected by the economic and financial crisis in several Member States. This is often reflected by increases in evictions, increases in homelessness, growth in waiting lists for social housing and increased debts in relation to key utilities such as heat and water. Several experts also report cuts to health services, including cuts in health expenditure and reductions in personnel. Core education expenditure seems to have been relatively protected from cuts. However, in some instances additional services of particular importance to children from disadvantaged backgrounds are being reduced.

Many of the national independent experts find that the voluntary sector has had to cope with the consequences of increased demands resulting from a combination of the impact of the recession and cut backs in the public services. NGOs have been particularly active in providing emergency social services to those affected by the crisis and organisations providing information and advice to people in difficulties have highlighted a major increase in the demand for their services. At the same time the voluntary sectors' ability to respond has in many cases been reduced due to the limited resources.

Some Member States have undertaken various measures to alleviate the social impacts of fiscal consolidation, focused on raising efficiency of benefit systems, active labour market participation, reinforcing Public Employment Services, training and apprenticeship measures. Measures introduced during the crisis to reduce labour costs and promote flexible working time arrangements have been extended. Measures addressed to specific population groups (youth, children, migrants, Roma, and people with disabilities) have been strengthened.

Several Member States are introducing structural reforms aimed at improving the efficiency and effectiveness of social protection expenditure. Measures include reducing administrative costs, reducing fraud, improving take-up rates, removing disincentives and improving the impact of benefits and quality of intervention (e.g. undertaking quality, improvement, productivity and prevention programme in the health sector).

In the area of social inclusion, most Member States strive towards maintaining/adopting balanced active inclusion strategies. Some emphasize the need to promote active social security systems in order to prevent long-term benefit dependency, while others are concerned about maintaining or reinforcing adequate protection with a view to support the capacity of individuals to participate actively in society and the economy.

Annex 1: examples that demonstrate the progress made in the implementation of ESF programmes

ALMP measures and preventing unemployment:

Germany, in addition to the short time work arrangements as an immediate response to the crisis, introduced further instruments in 2009 and 2010, such as supporting the acquisition of qualification during the short time work period (QualiKUG and TransferKUG) and a national microfinance facility.

In **Austria** short time work arrangements have been combined with qualifying measures as well-grounded education is seen as an effective measure to reduce unemployment. In addition new measures for young people were implemented to intensify the support for this target group. The Public Employment Service Austria also responded to the crisis by extending their efforts for unemployed people. To finance these actions money that was originally allocated for a later stage of the ESF implementation was brought forward to the years 2009 and 2010.

In **Slovenia** a programme supporting employment of hard to employ persons has been implemented (28.6 million EUR) and 2350 people have benefited from subsidised employment.

In **Finland** the initial aim of the Mainland Finland's OP was to focus mainly on employed people and the weakest groups in the labour market. In the context of the financial crisis, increased lay-offs and redundancies, the OP has been refocused to a broader target group, including those recently made unemployed.

In **Latvia**, the OP modification introduced short-term working arrangements to maintain sustainable jobs with a new target group of people at risk of unemployment.

In **Spain**, the multi-objective OP *Adaptability and Employment* (more than 50% of the total ESF allocation for Spain) has been modified as a consequence of the economic crisis. The modification will allow for, at least temporarily, the OP to concentrate its financial resources on actions related to employability.

In the **Czech Republic**, the activities focused on job retention through short-time working arrangements in combination with investment in skills/training. A temporary wage supplement to employees whose working hours and wage have been shortened by their employer due to the crisis was introduced in March 2009 as an ESF project ("Get trained"). So far, it has helped almost **140,000** people to keep their jobs in **923** firms directly hit by the economic crisis. Moreover, two other ESF projects were launched to cover training costs during short-time work ("Training/Education is a Chance" and "Restart"). Both are used to increase the adaptability of employees by training and development of their professional competences.

In **the Netherlands** the OP modification introduced a new priority to combat youth unemployment. The activities qualifying for support include education, training, guidance, working/learning combinations, traineeships and apprenticeships.

Greece has recently published specific measures focusing on job retention by reducing non-wage costs (i.e. creating incentives for businesses) and special programmes such as providing incentives for the unemployed to enter or re-enter the labour market (i.e. the re-integration voucher programmes) have been announced

Promoting social Inclusion and combating poverty

In **Slovenia**, 2 million Euros were earmarked to support social entrepreneurship, namely developing market activities and creating jobs for vulnerable groups. The plan for 2010 and 2011 is to reach 150 participants from vulnerable groups.

In **Spain**, the ESF invests 380 million Euros in helping those most at risk of discrimination, including Roma and other ethnic minorities, migrants, people with disabilities etc. Furthermore a ***national Network on ESF and Social Inclusion*** has been set up to improve the coordination and synergies among ESF actors and all relevant policy stakeholders, including national and regional authorities and the third sector.

Austria implemented a new possibility to support people with disabilities. The main focus in this connection is to create incentives for companies to employ people with disabilities.

In **Poland** almost 90 thousand beneficiaries of social assistance participated in ESF projects. A request for OP modification was also submitted, which envisages the introduction of a new financial instrument for supporting the social economy sector.

In **Latvia**, the OP modification adopted in 2009 launched a local employment emergency programme for low-paid community jobs targeting those with no unemployment benefits. Additional social inclusion measures, including the development of social rehabilitation and alternative social care targeting disabled, homeless and the persons at risk of unemployment as well as their family members were introduced.

In **Sweden**, the crisis caused a decrease in the employment with some 100.000 persons and a corresponding increase in unemployment. However, the Swedish ESF programme supported many projects that helped keeping many employees in their employment and training for future jobs with their current employer or with a new one, thus helping them to stay out of the risks for unemployment, financial problems and social exclusion.

Investing in life-long learning and reducing early school leaving

In **Estonia**, new programmes have been launched in 2009 to support the continuation of education for persons who have dropped out of vocational and higher education. Thanks to similar programmes and other adult education schemes financed by the ESF, results are starting to show in this field. The participation of the adult population in lifelong learning has markedly improved in the country during the current programming period (2007: 7%, 2009: 10.6%).

In **Slovenia** in the framework of promoting the inclusion of Roma in education: 32 education institutions, 500 Roma children, 31 Roma assistants and 40 experts have been supported and 30 curricula for primary and pre-school education have been developed.

In **Spain**, a national Working Group on Early School Leaving, has been established with the support of the ESF, which brings together stakeholders, actors and administrations dealing with ESL at national and regional level. The group's main objective is to reinforce the link between employment, labour and inclusion policies; it issues policy recommendations and promotes the exchange of experiences in the field of ESL.

In the **Czech Republic** financial resources will be increased for the investment in initial education with the aim of strengthening the quality of first levels of education.

In **Latvia**, the OP modification aimed at increasing incentives to ensure that young people, traditionally from poor families, stay in the vocational education system. Measures enhancing the qualification, requalification and professional reorientation of teachers and educators were also put in place, in the context of the educational reform.

Annex 2: Statistical tables

Key definitions





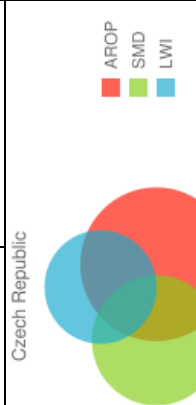
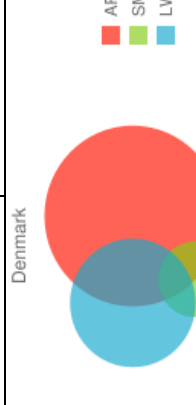
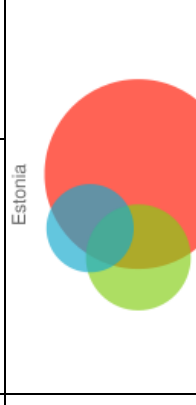
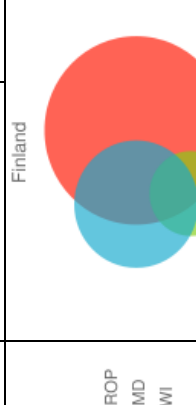
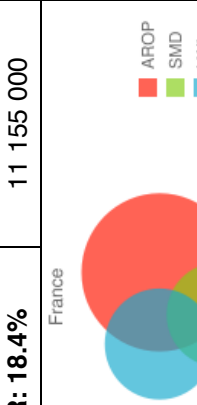
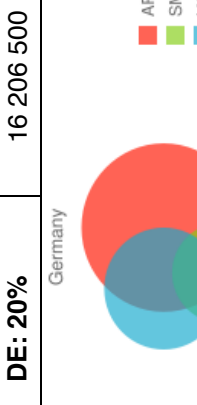
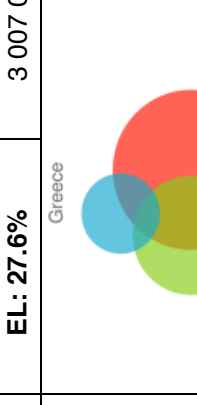
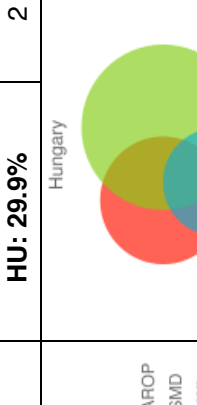

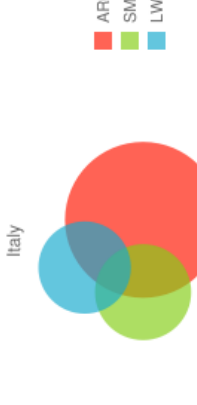


People at-risk-of poverty or social exclusion: individuals who are at-risk-of poverty and/or suffering from severe material deprivation and/or living in household with zero or very low work intensity.

At-risk-of poverty rate: share of people with an equivalised disposable income below 60% of the national equivalised median income. Equivalised income is defined as the total household income (including all sources of current income available to the household after social transfers and direct taxes) divided by its "equivalent size" to take account of the size and composition of the household.

Severe material deprivation rate: share of people who experience at least 4 out of 9 deprivations: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour tv, or ix) have a telephone

People living in households with very low work intensity: Share of people aged 0-59 living in households where the adults work less than 20% of their total work-time potential during the previous 12 months.

Table A1: People at-risk-of poverty or exclusion and overlap between the three components: at-risk-of-poverty (AROP), severe material deprivation (SMD) and people living in households with zero or very low work intensity (LWI); by country, 2009 – see corresponding data in table A2

AT: 17%	1 406 000	BE: 20.2%	2 145 000	BG: 46.2%	3 511 000	CY: 22.2%	1 755 000
Austria		Belgium		Bulgaria		Cyprus	
CZ: 14%	1 448 000	DK: 17.4%	952 000	EE: 23.4%	311 500	FI: 16.9%	886 500
Czech Republic		Denmark		Estonia		Finland	
FR: 18.4%	1 155 000	DE: 20%	16 206 500	EL: 27.6%	3 007 000	HU: 29.9%	2 956 000
France		Germany		Greece		Hungary	
IE: 25.7%	1 150 000	IT: 24.7%	14 835 000	LV: 37.4%	833 500	LT: 29.5%	984 500
Ireland		Italy		Latvia		Lithuania	

Source: EU-SILC(2009)

Table A1: People at-risk of poverty or exclusion and overlap between the three components: at-risk-of-poverty (AROP), severe material deprivation (SMD) and people living in households with zero or very low work intensity (LWI); by country, 2009 – see corresponding data in table A2

LU: 17.8% Luxembourg	84 500	81 500	2 483 500	10 454 000	PL: 27.8% Poland
MT: 20.2% Malta	81 500	9 111 500	1 060 500	339 500	SI: 17.1% Slovenia
RO: 43.1% Romania	9 111 500	1 458 500	13 412 000	113 751 500	EU27: 23.1% EU-27
PT: 24.9% Portugal	2 647 500	10 652 000	10 652 000	10 652 000	ES: 23.4% Spain
ES: 23.4% Spain	10 652 000	1 458 500	10 652 000	10 652 000	ES: 23.4% Spain

Source: EU-SILC(2009)

Table A2: Composition of the population at-risk-of-poverty or exclusion, by intersection, in % and number of people at risk, 2009

Country	AROP, NOT deprived, NOT jobless		AROP, Deprived, Jobless		AROP, NOT deprived, Jobless		NOT AROP, Deprived, NOT jobless		NOT AROP, Deprived, Jobless		NOT AROP, NOT Deprived, Jobless		Total			
	%	N	%	N	%	N	%	N	%	N	%	N	%	N		
AT	8,1	668.435	1,3	106.465	1,2	96.913	1,5	120.974	2,1	170.400	0,3	20.779	2,7	222.348	17,0	1.406.314
BE	7,9	843.372	1,1	115.578	2,1	218.642	3,5	371.544	1,6	165.536	0,5	55.244	3,5	375.395	20,2	2.145.310
BG	3,3	251.880	14,3	1.090.852	3,8	284.935	0,4	29.373	23,3	1.769.513	0,5	39.170	0,6	45.461	46,2	3.511.183
CY	12,1	95.595	2,4	19.043	0,9	6.736	0,8	6.631	4,4	34.962	0,2	1.532	1,4	11.058	22,2	175.557
CZ	4,5	465.719	1,4	144.389	1,1	113.150	1,6	161.651	3,5	356.429	0,2	21.224	1,8	185.708	14,0	1.448.268
DE	8,8	7.171.142	1,3	1.024.216	1,8	1.450.172	3,6	2.944.499	1,8	1.482.721	0,5	402.422	2,1	1.731.412	20,0	16.206.585
DK	9,5	519.482	0,5	29.463	0,5	28.790	2,6	140.614	0,8	43.287	0,4	22.235	3,1	168.195	17,4	952.066
EE	14,4	191.429	2,1	28.307	1,4	18.761	1,8	23.574	2,6	34.209	0,1	1.256	1,1	13.976	23,4	311.512
ES	15,3	6.956.635	1,1	496.403	0,7	334.970	2,4	1.096.884	1,5	698.742	0,1	51.970	2,2	1.016.322	23,4	10.651.925
FI	9,3	485.576	0,6	29.367	1,1	58.707	2,9	151.379	0,8	42.192	0,3	17.993	1,9	101.259	16,9	886.473
FR	8,1	4.896.185	1,6	960.536	1,2	725.422	2,0	1.217.362	2,4	1.425.258	0,4	260.966	2,8	1.669.393	18,4	11.155.122
GR	12,7	1.381.426	5,3	575.513	0,8	85.494	1,0	106.676	4,7	511.172	0,2	25.609	2,9	321.212	27,6	3.007.100
HU	4,6	457.499	3,5	346.398	2,8	278.071	1,5	146.852	13,0	1.282.081	1,6	154.143	2,9	290.934	29,9	2.955.978
IE	6,7	298.065	0,6	26.427	1,9	85.659	5,8	260.345	2,0	86.973	1,7	74.792	7,1	317.798	25,7	1.150.058
IT	12,6	7.573.848	2,7	1.596.464	1,0	622.839	2,1	1.283.591	2,9	1.743.297	0,4	248.228	2,9	1.767.045	24,7	14.835.313
LT	11,6	388.540	5,0	165.455	2,1	69.448	1,9	63.935	7,4	246.533	0,6	20.802	0,9	29.942	29,5	984.655
LU	11,9	56.614	0,5	2.491	0,3	1.573	2,1	9.922	0,2	1.004	0,0	210	2,7	12.706	17,8	84.520
LV	13,2	293.433	8,2	182.566	2,7	60.478	1,6	36.196	10,8	239.698	0,3	6.232	0,7	15.061	37,4	833.663
MT	10,5	42.391	1,0	4.143	1,0	4.082	2,6	10.558	2,0	8.223	0,7	2.652	2,3	9.463	20,2	81.513
NL	7,7	1.254.911	0,3	54.737	0,3	50.081	2,8	455.954	0,6	90.917	0,3	41.385	3,3	535.491	15,1	2.483.477
PL	9,5	3.559.803	4,6	1.728.304	1,7	654.673	1,3	492.186	8,2	3.064.613	0,5	177.441	2,1	777.251	27,8	10.454.271
PT	11,9	1.267.205	2,9	311.073	1,2	122.737	1,9	197.220	4,7	502.757	0,3	28.726	2,1	217.990	24,9	2.647.709
RO	7,8	1.658.361	11,6	2.455.861	2,0	428.684	1,0	202.197	17,5	3.698.292	1,1	234.502	2,1	433.888	43,1	9.111.786
SE	10,3	941.349	0,3	26.448	0,5	42.968	2,2	204.330	0,7	60.730	0,2	13.725	1,9	169.127	15,9	1.458.677
SI	7,7	152.108	1,4	27.952	0,9	17.509	1,3	25.876	3,6	70.958	0,2	4.157	2,1	40.905	17,1	339.466
SK	6,3	338.068	2,1	112.349	1,9	104.199	0,7	39.502	6,8	366.871	0,3	17.352	1,5	82.430	19,6	1.060.772
UK	10,6	6.460.136	0,7	417.289	1,1	696.434	4,9	2.989.363	1,0	594.063	0,5	325.777	3,2	1.929.249	22,0	13.412.310
EU	9,9	48.669.209	2,5	12.078.086	1,4	6.662.124	2,6	12.789.189	3,8	18.791.433	0,5	2.270.524	2,5	12.491.017	23,1	113.751.583

Source EU-SILC (2009) - UK data are not fully reliable given the high rate of missing values in some deprivation items

"AROP": at-risk-of poverty (below 60% of the median income)

"Deprived": people living in severe material deprivation (concerned by 4+ items of deprivation out of 9)

"Jobless": people (aged 0-59) living in households with zero or very low work intensity (working age adults in the households work less than 20% of their total work capacity)

Table A3: Share of people-at-risk-of poverty after social transfers (below 60% of median equivalised disposable income), 2005-2009

%	2005	2006	2007	2008	2009
EU27	16.4	16.5	16.7	16.4	16.3
BE	14.8	14.7	15.2	14.7	14.6
BG	:	18.4	22.0	21.4	21.8
CZ	10.4	9.9	9.6	9.0	8.6
DK	11.8	11.7	11.7	11.8	13.1
DE	12.2	12.5	15.2	15.2	15.5
EE	18.3	18.3	19.4	19.5	19.7
IE	19.7	18.5	17.2	15.5	15.0
EL	19.6	20.5	20.3	20.1	19.7
ES	19.7	19.9	19.7	19.6	19.5
FR	13.0	13.2	13.1	12.7	12.9
IT	18.9	19.6	19.9	18.7	18.4
CY	16.1	15.6	15.5	16.2	16.2
LV	19.2	23.1	21.2	25.6	25.7
LT	20.5	20.0	19.1	20.0	20.6
LU	13.7	14.1	13.5	13.4	14.9
HU	13.5	15.9	12.3	12.4	12.4
MT	13.7	13.6	14.3	14.6	15.1
NL	10.7	9.7	10.2	10.5	11.1
AT	12.3	12.6	12.0	12.4	12.0
PL	20.5	19.1	17.3	16.9	17.1
PT	19.4	18.5	18.1	18.5	17.9
RO	:	:	24.8	23.4	22.4
SI	12.2	11.6	11.5	12.3	11.3
SK	13.3	11.6	10.5	10.9	11.0
FI	11.7	12.6	13.0	13.6	13.8
SE	9.5	12.3	10.5	12.2	13.3
UK	19.0	19.0	18.9	18.7	17.3

Source EU-SILC(2009)

Table A4: Share of people living in severe material deprivation (concerned by 4+ items of deprivation out of 9), 2005-2009

%	2005	2006	2007	2008	2009
EU27	11	10	9.1	8.4	8.1
BE	6.5	6.4	5.7	5.6	5.2
BG	:	57.7	57.6	41.2	41.9
CZ	11.8	9.6	7.4	6.8	6.1
DK	3.2	3.1	3.3	2	2.3
DE	4.6	5.1	4.8	5.5	5.4
EE	12.4	7	5.6	4.9	6.2
IE	5.1	4.8	4.5	5.5	6.1
EL	12.8	11.5	11.5	11.2	11
ES	3.4	3.4	3	2.5	3.5
FR	5.3	5	4.7	5.4	5.6
IT	6.4	6.3	6.8	7.5	7
CY	12.2	12.6	13.3	8.2	7.9
LV	38.9	30.6	24.9	19	21.9
LT	32.6	25.3	16.6	12.3	15.1
LU	1.8	1.1	0.8	0.7	1.1
HU	22.9	20.9	19.9	17.9	20.8
MT	5.5	3.7	4.2	4	4.7
NL	2.5	2.3	1.7	1.5	1.5
AT	3	3.6	3.3	6.4	4.8
PL	33.8	27.6	22.3	17.7	15
PT	9.3	9.1	9.6	9.7	9.1
RO	:	:	36.5	32.9	32.2
SI	5.1	5.1	5.1	6.7	6.1
SK	22.1	18.2	13.7	11.8	11.1
FI	3.8	3.3	3.6	3.5	2.8
SE	2.3	2.1	2.2	1.4	1.6
UK	5.3	4.5	4.2	4.5	:

Source EU-SILC(2009)

Table A5: Share of people (aged 0-59) living in households with zero or very low work intensity (working age adults (not students) in the household work less than 20% of their total work capacity), 2005-2009

%	2005	2006	2007	2008	2009
EU27	10	10	9.7	9	9
BE	15.1	14.3	13.8	11.7	12.3
BG	:	14.7	15.9	8.1	6.9
CZ	8.8	8.9	8.6	7.2	6
DK	9.9	9.3	9.9	8.3	8.5
DE	11.9	13.5	11.4	11.6	10.8
EE	9.4	7	6.2	5.3	5.6
IE	14.6	12.8	14.2	13.6	19.8
EL	7.5	8	8	7.4	6.5
ES	6.5	6	6.3	6.2	7
FR	8.6	9.1	9.5	8.8	8.3
IT	10.3	10.8	10	9.8	8.8
CY	4.4	3.8	3.7	4.1	4
LV	8.1	7	6.1	5.1	6.7
LT	9.5	8.3	6.4	5.1	6.9
LU	5.7	5.2	5	4.7	6.3
HU	9.5	13	11.3	12	11.3
MT	9.6	9.2	9.2	8.2	8.4
NL	9.7	10.7	9.5	8.1	8.3
AT	6.5	8	8.1	7.8	7.2
PL	14.2	12.3	10	7.9	6.9
PT	5.9	6.6	7.2	6.3	6.9
RO	:	:	8.4	8.2	7.7
SI	8.6	6.9	7.2	6.7	5.6
SK	6.6	6.2	6.4	5.2	5.6
FI	9.8	8.9	8.7	7.3	8.2
SE	7.5	6.6	5.9	5.4	6.2
UK	12.8	12	10.5	10.4	12.6

Source EU-SILC(2009)

European Commission

**The social dimension of the Europe 2020 Strategy
A report of the Social Protection Committee (2011)**

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The Europe 2020 Strategy aims to deliver high employment, productivity and social cohesion. This Report by the Social Protection Committee (SPC), a policy forum for Member States and the Commission, on Europe 2020's social dimension examines actions to promote inclusion and reduce poverty. It details the current poverty and social exclusion situation in the EU and assesses related policy options for addressing these challenges. It also outlines findings of the SPC thematic work on social inclusion and protection in 2010. The Report is available in English only.

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