

Poverty, Scotland and the European Union



Introduction

During the campaign for the European elections in June 2004 the issue of poverty was rarely mentioned by many of the candidates. Such an omission was all the more glaring given that, according to the European Anti-Poverty Network (EAPN), some 68 million people face poverty in the enlarged European Union¹. With so many at risk of poverty it may have been expected that candidates would have had something more to say about how the EU could make a contribution to tackling this considerable problem.

However it is perhaps unsurprising that poverty and social exclusion have failed to register in discussions about the future of Europe. For most people the EU remains a collection of remote institutions that have relative little impact on their lives. Despite the fact that decisions taken by the European Commission affect around 80% of the legislation passed in the UK, few people have a clear understanding of the role of the various European institutions or the impact their decisions have.² Much of the public debate regarding the European Union is dominated by fears about increasing 'red-tape', the introduction of the Euro currency or development of the new constitution. All of these debates are vital but unfortunately all too often carried out on the basis of the restrictions that the EU places upon the UK rather than how the EU could be used to make a positive contribution to change in our society.

The aim of this briefing is firstly to highlight the extent of poverty across Europe. A great deal of information exists on a wide range of poverty indicators across Europe. We will focus on only a few to highlight some of the divisions and similarities between different EU states. European policy development is notoriously complex and difficult to understand. However in order to influence or change policies we must first know what they are and how we can get involved. The briefing will therefore also outline the main elements in the European strategy tackling social exclusion and to consider what the key gaps are in this approach.

There is potential for those who wish to tackle poverty to use the experience of our European neighbours to influence the policies in both Scotland and Westminster to take more decisive action to tackle poverty. This briefing highlights some of the key European policy process and how you may be able to get involved in debates about the future of anti-poverty policy.

Poverty in Europe

Defining and measuring poverty is always a complicated matter. This is particularly the case when attempting to compare 15 different nations, with different job markets, systems of welfare provision and tax regimes, and is now significantly more difficult with the expansion of the EU to 25 member states. Despite these differences however, progress has been made in developing comparable poverty rates and other measures of social exclusion. Since 2001 all member states of the EU have collected information on 20 comparable indicators. This section looks at some key facts about poverty across Europe. Comparable information for all 25 EU states is not yet available.

The key measure of poverty is referred to as the 'at-risk of poverty rate.' This is an income based indicator, and gives the proportion of people in households with less than 60% of median national income. The table below shows the proportion of children and adults below this threshold in each country.

Table 1: At risk of poverty rates by age, 2001

	0-15 Years	16 years and over
Portugal	27	18
Greece	26	18
Ireland	26	20
Italy	25	18
UK	24	15
Spain	18	21
France	18	15
Luxembourg	18	11
Netherlands	16	10
Germany	14	11
Austria	13	12
Belgium	12	14
Denmark	7	11
Sweden	7	10
Finland	6	13
EU15	19	15

Source: Joint Inclusion Report 2003, Statistical Annex

These figures show that 15% of adults and 19% of children live in poverty across the EU³. There are, of course, significant differences between member states, with child poverty as low as six or seven per cent in Sweden and Finland, going up to 27% in Portugal and 26% in Ireland. The UK is amongst states with an above average rate of child poverty.

The statistical annex to the Joint Inclusion Report also gives information on at risk of poverty rates going back to 1995. It would appear from this information that there is no clear trend in the direction of poverty rates across the EU states. Countries such as Denmark and Sweden have had low levels of child and adult poverty since the mid 1990s while in Ireland, adult rates of poverty have been slowly rising since the mid 1990s. The UK is one of the few countries where the trend appears to have been consistently downwards, particularly with regard to children.

Helping people into work has been a key part of all European governments' approaches to tackling poverty. However, there is a growing concern with in-work poverty. Table three shows the proportion of workers who are regarded as living on a low income. Low income is defined as less than 60% of the national median income.

Several countries have clear problems with in-work poverty, with Spain, Portugal, Greece and Italy all having rates above 10%. The figures show that most countries have a higher proportion of men experiencing in-work poverty than women, with the exception of Germany, Finland and the UK. This is partly explained by higher than average rates of female participation in the labour market in these countries, suggesting that greater participation in the labour market does not

prevent women being more likely to be in low paid employment.

Table 2: In-work poverty risk, 2001 (%)

	Women	Men	All
Greece	8	10	10
Italy	6	13	10
Portugal	11	13	12
Spain	12	13	13
Denmark	2	3	3
Sweden	3	3	3
Belgium	4	4	4
Germany	6	4	4
Austria	6	6	6
Finland	6	5	6
UK	7	6	6
Ireland	4	9	7
France	7	9	8
Luxembourg	8	8	8
Netherlands	7	8	8
EU15	7	8	7

Source: Joint Inclusion Report 2003, Statistical Annex

Many of the indicators that are used to compare EU member states' performance in tackling poverty and social exclusion focus on measures of relative income or participation in the labour market. In order to obtain a more complete picture, and to better understand the impact of low income on individuals, other indicators can also be used. Poor health is closely associated with low income and poverty. Table four below shows the proportion of the top and bottom 20 per cent of the income distribution who classify themselves as in a bad or very bad state of health

The data in table three shows the relationship between self-reported health status and income levels. The figures in this table consistently show that people with the lowest incomes are more likely to report that they suffer from some form of illness. This backs up other research which highlights the links between low income and poor health. Sixteen per cent of those in the bottom 20% of the income

distribution reported some health problem, the average for the 15 European states included. However it should be noted that this is still a worse performance than 11 other countries, suggesting there is significant room for improvement.

Table 4: Health status by income, 2001 (%)

	Bottom 20%	Top 20%
Luxembourg	-	-
Ireland	7	1
Netherlands	7	3
Belgium	9	3
Sweden	11	3
Denmark	12	1
Spain	13	2
France	13	5
Austria	13	3
Finland	13	3
Italy	14	8
Greece	15	3
UK	16	5
Germany	27	16
Portugal	31	8
EU15	16	7

Source: Joint Inclusion Report 2003, Statistical Annex

European Social Inclusion Strategy

Although the Europe Union has always supported action to tackle poverty, for example through the European Social Fund, the Treaty of Amsterdam in 1997 saw the development of a clearer and more explicit approach. However, the main function of the EU in regard to poverty and social exclusion is to support and complement the work of member states, rather determine what action is to be taken. It therefore remains the prime responsibility of national governments to take action to tackle poverty and social exclusion.

In 2000 at the Lisbon Summit Member States agreed the goal of making a decisive impact on poverty and social exclusion by 2010. In achieving this goal Member States would use the Open

Method of Co-ordination (OMC), a method which allows Member States to co-ordinate national policies by setting targets and sharing good practice around agreed objectives. Unlike other aspects of European policy development, the OMC does not rely on legally binding directives or regulations. Using the OMC can be seen as providing greater flexibility in the development of policy, and providing a genuine opportunity for ensuring that the most effective ways of tackling poverty are adopted by member governments. It should also provide more of an opportunity for orgs in each member to state to get involved in shaping strategies. However, the OMC also means that there are no legal remedies if Members States do not show real commitment to meeting the agreed objectives.

Economic and employment policy have always played an important role in the European Union. At the Lisbon Summit it was acknowledged that the gains from improved economic growth (more jobs, higher incomes, etc) are not always shared by all in our society and that those who do not share in the growth will be socially and economically excluded. As EU member states seek to make their economies more dynamic they need to ensure that social inclusion is a key part of economic and employment policies. As a recent report stated “the moderisation of the economy should go hand in hand with efforts to reduce poverty and fight against exclusion.” (Joint Inclusion Report, March 2004)

At the heart of the European Social Inclusion Strategy are the four common objectives that were agreed at the Nice Summit in December 2000. These are the objectives that national governments will share good practice on and measure their

success in tackling poverty and social exclusion.

Objective One: *To facilitate participation in employment and to facilitate access by all to resources, rights, goods and services.* The first objective is therefore to ensure that everyone has access to good quality jobs, and that they have the skills to allow them to access jobs. Access to resources, rights, goods and services can cover a wide range of areas including education, adequate income, housing, healthcare, as well as the opportunity to participate in cultural and leisure activities.

Objective Two: *To prevent the risk of exclusion.* In addition to ensuring that people are able to get out of poverty through work and quality services, governments must take initiatives to ensure that people do not become poor or excluded. This can include action to ensure that people have access to information and communication technologies, that levels of over indebtedness and homelessness are reduced. It can also mean providing support when people encounter crises in their lives.

Objective Three: *To help the most vulnerable.* Governments must show what is being done to help people who are considered to be most at risk of social exclusion. This may include people with disability or people with particular problems, such as drug and alcohol misuse, mental illness, ex-offenders, prostitutes or children growing up in poverty and unstable environments or people living in areas experiencing multiple disadvantage.

Objective Four: *To mobilise all relevant bodies.* This final objective relates to the process that the government goes through

in developing policies to address social exclusion. It is a recognition that a wide range of bodies can play a role in tackling poverty and that governments need to ensure that national, regional and local authorities are fully involved in the development of plans. In addition the wider civil society should also be involved including voluntary organisations, trade unions and the private sector. Crucially the development of plans to tackle should actively involve those who experience poverty.

To show progress towards meeting these objectives Member States must produce National Action Plans on Social Inclusion usually referred to as the “NAPincl” to distinguish them from other National Action Plans, but here called NAP. These plans should show what governments are doing to meet the four objectives, and what their priorities are for the next period. Originally these plans were to be produced every two years, with the first NAPs produced in 2001 and 2003. It now looks likely that the next NAP will be produced in 2006.

A crucial part of the Social Inclusion Strategy process is the production of a Joint Inclusion Report and the Peer Review process. The Joint Inclusion Report is produced by the Council of the European Union and brings together the plans produced by all the Member States. The Joint Report highlights the differences between different member states and highlights improvements that could be made. The Peer Review process allows member states to suggest particular examples of good practice that are then reviewed by ‘national experts’ from Member States. Both the Joint Inclusion Report and the Peer Review process are therefore crucial to ensuring that, in line with the OMC, there is a real opportunity to

share good practice and improve understanding across Europe about how to tackle poverty.

Europe, Poverty & Scotland

The last UK NAP on Social Inclusion was published in July 2003⁴. This document sets out the major trends and challenges in poverty and social exclusion from the Government’s point of view and the progress that has been made since the first NAP in 2001. The NAP also sets out the Government’s overall strategy for tackling poverty and social exclusion. There are three key elements to this:

- The maintenance of a strong economy;
- Ensuring through flexible labour markets that there are jobs available ‘for all who can work’;
- Developing ‘first-class’ services available to the whole population.

In common with most other European countries, the UK NAP promotes employment as the main route out of poverty. The NAP also identifies a range of policies that are being pursued to tackle social exclusion. These are wide ranging and draw on the programmes not only of the UK Government but also of the administrations in Scotland, Northern Ireland and Wales. In addition to the well known policies designed to help people into work, including the New Deals and Modern Apprenticeships, the NAP also details policies aimed at tackling health inequalities, over indebtedness, supporting lone parents, tackling homelessness.

The Joint Social Inclusion Report 2003 noted that there had been improvement in the UK NAP since the first report in 2001. The referred to the UK approach as ‘broad and comprehensive’ and noted the progress made in tackling relative poverty. The Report also noted the ‘much more

open approach to the involvement of a broader range of actors in the development of and monitoring of the NAP’.

Key challenges for the UK highlighted in the Joint Inclusion Report included the growing levels of income inequality and the high levels of workless households. These echo some of the concerns that many commentators have voiced over the amount of progress that can be made if the UK retains its current emphasis paid work being the key route out of poverty.

Influencing change

Whilst European policy often seems remote from the concerns of those tackling poverty, the Social Inclusion Strategy and the NAP process provide the community and voluntary sector to make an impact on the way that policy is developed in the UK. Change in these areas can often seem painfully slow, but due to the fourth objective of the NAP process (to mobilise all relevant bodies) there is an opportunity to build a more participatory approach to policy making in the UK.

Voluntary organisations across the UK successfully lobbied the DWP in 2004 for a more structured involvement in the development of the next NAP. A participation toolkit - *Get Heard* - will be launched which will hopefully bring about greater involvement of a range of community and voluntary organisations. This toolkit will be aimed particularly at people with direct experience of poverty, and should provide an opportunity to feed into the development of anti-poverty policy.

Whilst it is vitally important to have greater community and voluntary sector involvement in the NAP process, there are other important institutions that should be more involved. The Scottish Parliament

should take a more active role in scrutinising the contribution that the Scottish Executive makes to the UK NAP. There is much to learn from other European states in tackling poverty and exclusion, not least from Scandinavian countries. Both the European and Communities Committees could play an increased role in raising awareness of the NAP and in ensuring that there is wider consultation on its content.

The Scottish Executive should also take a stronger lead in preparing for the next NAP in 2006. Previously a consultation was issued through the Scottish Social Inclusion Network. Now that this mechanism has been abandoned it is all the more important that the Executive develops new ways to allow a broad range of groups to participate in the development of its social inclusion policies.

Anti-poverty and social exclusion policies in the UK can sometimes seem fragmented whilst European processes are remote. The NAP process gives us the opportunity to see policies as a whole, and holds out the possibility of even changing them. Given the scale of the problem it is vital that we take all chances to improve policies that exist. To find out more about getting involved in the development of the next NAP contact Peter Kelly at the Poverty Alliance
peter.kelly@povertyalliance.org

¹ EAPN European Election Manifesto, May 2004, www.eapn.org

² Scottish Executive European Strategy, January 2004, www.scotland.gov.uk

³ Joint Inclusion Report 2004, Statistical Annex, http://europa.eu.int/comm/employment_social/soc-prot/soc-incl/joint_rep_en.htm

⁴ The UK NAP Social Inclusion 2003-05: www.dwp.gov.uk/publications/dwp/2003/nap/index.asp