Global Trends to 2030: New ways out of poverty and exclusion
INTRODUCTION

This paper analyses the issues of poverty and exclusion in the context of the major trends that characterise the present and will shape the near future. It also explores the uncertainty that emerging trends may pose for EU societies in terms of poverty and exclusion, and looks at options and alternative paths to counteract these two phenomena.

There are two main definitions of poverty: "absolute poverty" is when people lack the most basic conditions for survival. This term is more often used for developing countries than for the EU. However, this reality also exists in Europe, for instance among the homeless, Roma people and people with migration backgrounds. The definition of poverty commonly used in the EU is one of "relative poverty". This means having a level of income so far below the general standard that those affected cannot afford acceptable living conditions and are excluded from the way of living enjoyed by the majority of the population in a given country.

Poverty is linked to social exclusion. Social exclusion is a multidimensional process of progressive social rupture, detaching individuals and groups from social relations and institutions and preventing them from participating fully in the "normal" activities of society. Social exclusion is multidimensional in that it encompasses income poverty, unemployment, access to education, information, childcare and health facilities, green and recreational facilities, and social participation. Recent data indicate that poverty is a persisting phenomenon, with the risk of poverty or social exclusion having slightly increased in the past decade (Fig. 1).
An estimate for 2017 indicates a slight decrease in the risk of poverty with 22.5% of the EU population – about 113 million people – at risk of poverty or social exclusion (AROPE\textsuperscript{4}). The differences between Member States are very pronounced, with the percentage of the population at risk from poverty ranging from as high as 38.9\% to as low as 12.2\%\textsuperscript{5} (Fig. 2).

Children (0-16) have a particularly high risk rate of poverty or social exclusion, at 26\%. This risk is particularly high among young people (16-24), at 30.5\%\textsuperscript{6}. At global level, women are more at risk of relative poverty, with a rate of 23.3\%, than men (21.6\%)\textsuperscript{7}. Over the course of their lives, women receive a lower income than men, are more likely to work in low-paid and insecure jobs or take career breaks due to caring responsibilities at home. Almost half (48\%) of lone mothers are at risk of poverty or social exclusion\textsuperscript{8}. Extreme situations are found among minority ethnic groups, especially Roma people, immigrants – mainly the undocumented –, the homeless and people living in institutions. In 2016, almost 39.2\% of the non-EU-born population in the EU was deemed to be at risk of poverty or social exclusion\textsuperscript{9}.

In most Member States where poverty affects a large proportion of the population, it also tends to be more severe. According to the European Anti-Poverty Network calculations, the depth or severity of poverty (i.e. how far below the at-risk-of-poverty threshold the income of people at risk of poverty is) for the EU as a whole in 2016 was 25\%: this means that half of those living under the poverty line were at least 25\% below the relevant at-risk-of-poverty threshold. The depth of poverty ranges from as low as 14\% in Finland to as high as 32\% in Greece and 36\% in Romania\textsuperscript{10}. These numbers underline the multidimensionality and intersectionality of poverty and social exclusion, which are often mutually reinforcing.
MEGATRENDS

The established demographic trend in Europe indicates that the percentage of older people will continue to grow. Despite a slight decline recorded in 2015, life expectancy is likely to increase in the next decade. The effects of this trend on poverty and exclusion levels cannot be underestimated: the ageing of the working population means fewer contributions to social security systems. For those not covered by social security, it means a higher rate of dependency on social protection systems. This in turn impoverishes these systems and has a negative impact on their performance.

Electoral systems, in which the elderly are overrepresented, may tend to encourage short-termism and biases in a context where generational equity is already difficult. Due to youth unemployment and the stagnation of worker incomes, the incomes of young people have only recently reached their pre-crisis levels, while those aged 65 and over have seen a 10% increase in their income. Another crucial issue is whether an ageing population will be able to maintain the higher health standards needed to remain active in society and the economy and to have a positive impact on the balance sheets of social security systems.

While globalisation and technological progress have dramatically increased global trade and wealth, the combination of these two trends has also contributed to an increase in social (and environmental) inequality.

Leading to openness and growth, globalisation has contributed to improving living conditions and reducing poverty worldwide. In the EU, however, it has aggravated inequalities within and between countries: as globalisation increases the focus on competitiveness, it brings with it the risk of social dumping, with countries incentivised to attract investment by deregulating business, cutting taxes and even creating tax havens.

While international trade, in particular of goods, may have reached its peak and may even decline as a result of the looming trade wars, the globalisation of ideas and technologies is set to continue, together with its disruptive effects on the labour market. Because of its very nature, this kind of globalisation cannot be shunned off. The EU will need to strike a careful balance between the need to sustain competition and the need to reinforce social protection in a context where its economic weight and influence over international rules making are reduced while that of Asia, and China in particular, becomes preponderant.

The estimate of how many jobs will be lost to "smart automation" varies significantly, depending on the studies taken into consideration and the countries and sectors analysed. In most EU Member States the proportion of existing jobs at high risk of automation by the early 2030s ranges from between 30% and 43%. Despite their capacity to increase the number of quality jobs and security in the workplace, improve well-being at work, allow us to lead healthier longer lives and boost the EU’s overall competitiveness, digitalisation and automation are likely to leave many people at a greater risk of poverty. While the number of high-paying jobs will potentially increase, this will not be enough to offset the decline in medium-income jobs, exacerbating the polarisation of skills and jobs.

On the other hand, if machines can technically replace low-skilled jobs (both manual and intellectual, due to the Internet of Things, sensors, AI technologies) and these jobs are precarious and no rights are ensured, it may be easier for companies to hire people at low cost rather than invest in new machines. While robotisation and the platform economy pose a serious threat to many European workplaces, there is another set of new risks associated with the current and upcoming technologies that operate on the basis of data, particularly personal data. For example, this may include the automated selection of
candidates for job interviews based on their predicted productivity. Another example is the use of risk scores in assessing the credit worthiness of individuals applying for loans. This may result in aggravated discrimination of groups and communities that are already subject to poverty and exclusion.\textsuperscript{19}

**UNCERTAINTIES**

Inequality may increase further

In a continent as developed as Europe, poverty results mainly from inequality. This is why the "relative poverty" term is mostly used. Europe has historically reported lower inequality rates than the US, but inequality is nonetheless on the rise in most EU Member States compared to the mid-1980s.\textsuperscript{20} Even under more optimistic analyses, which consider inequality as stable overall in EU over the past 30 years after a continuous reduction over previous decades,\textsuperscript{21} it cannot be forgotten that for many people this means realising that their condition will not necessarily improve over time and that this will also apply to their children. On the top of all this, wealth inequality is even greater: 10\% of the wealthiest households hold 50\% of total wealth, while the 40\% least wealthy own only a little over 3\%.\textsuperscript{22}

The worsening of inequality in Europe has been associated with the decoupling of growth and productivity from net income\textsuperscript{24} and it appears that, despite the recovery after the financial crisis, inequality has not stopped growing\textsuperscript{25} and has only recently started to stabilise\textsuperscript{26}. Furthermore, in the OECD countries the increase in productivity has not been reflected in the average labour compensation. Worse still, the increase in labour income has been significantly smaller for the social group with the lowest net wages\textsuperscript{27}, which should suggest that more in depth analysis of the issue of labour share in GDP is necessary. If this trend in inequality is not reversed, the consequences will be felt in the political, economic and social spheres.
Inequality and economic insecurity have been pointed out as the main causes of and, for some, the single most important factor in the rise of populism, even where the political battles sparked by parties from this political area are based on culture and identity. Populist movements' electoral exploits across Europe are already causing disruption in the EU and more can be expected in the near future. Successfully addressing inequality will therefore most likely also help reduce the spread of populist ideas.

In some countries populist parties are already in power or have an influence over government decision-making, including social policy. There is no uniformity in these parties' approach to poverty issues and not yet enough evidence to suggest the emergence of a specific pattern. However, populist social policies that aim to restrict access to social benefits on the basis of citizenship, length of stay in the country or similar discriminating criteria are bound to have a negative impact on some of those individuals or groups, such as migrants and ethnic minorities, who are typically hit by the worst forms of poverty and social exclusion.

Another element of uncertainty stems from the fact that populist poverty policies, which almost by definition tend to be quick fixes to win people's support, may end up introducing an additional risk that upsets a country's macroeconomic balance.

It is also uncertain whether populism would lead to innovative social policy and push the general political spectrum towards more courageous, anti-poverty policies or whether it would instead result in unbalanced, unorthodox solutions that corrode EU values and its rule of law tradition.

Although not definitive, conclusions have been drawn concerning the relationship between inequality and the health of an economy. Inequality income accumulation has a negative impact on medium-term growth, particularly by hindering human capital, as it undermines educational opportunities for disadvantaged individuals, lowers social mobility and hampers skills development. Additionally, high levels of inequality have been linked to financial and economic crises.

There is evidence that the more unequal a society is in terms of income differences (even if it is doing well in economic terms), the worse its health and social problems are. If today's societies maintain a high level of inequality, the costs associated with those problems will be heavily felt in the future, especially given that the EU's population will be significantly older on average.
Rising inequality would almost certainly have a negative impact on the environment. There is a positive, albeit not 1:1, correlation between income levels and carbon footprint. Researchers have also been studying less obvious factors through which inequality contributes to damaging the environment. In economically unequal countries the pressure to buy items to keep up with peers, especially when it comes to clothes, fashion, new cars and other status symbols, is very high. Inequality is also an obstacle to creating a more level playing-field that is conducive to adopting more environmentally friendly policies. Inequality of political power arising from income inequality may allow the rich to "dump" pollution on the poor and weak while insulating themselves from the consequences of pollution in various ways. As a result, income inequality may cause a society to have a higher aggregate level of pollution than would have been possible in a more equal society. It has been shown that in more equitable, affluent countries not only do the rich pollute less, but average pollution is also lower, because the bottom half of these populations pollutes less than the bottom half of less equitable societies.

Work: the main way out of poverty and exclusion?

Unemployment is a key factor behind poverty. A broad spectrum of already vulnerable population groups is increasingly being pushed to the fringes of the EU labour market. In 2016, the youth unemployment rate was more than twice the overall unemployment rate (around 19% and 9% respectively). In 2016, 48.7% of those who were unemployed were at risk of poverty. While the unemployment rate has seen a reduction towards the pre-crisis level, the differences among Member States are stark.

Furthermore, with automatisation and a potential disruption of international trade looming, unemployment levels may rise quickly. While a job is a key route out of poverty, employment alone does not offer an automatic solution. In 2016, 9.6% of the people in employment were living under the poverty threshold. In-work poverty increased by 1.3% at the EU-28 level between 2010 and 2016 and will increase further as a consequence of the increasing prevalence of non-standard work forms. This is because the current shift towards non-standard (or atypical) forms of employment (such as zero-hour contracts, and, in some cases, self-employment and bogus self-employment) threatens job stability and risks compromising income levels, working conditions and social security. These new forms of work often mean fragmented careers, more frequent periods of inactivity, fewer training opportunities and far less
access to social protection and social services\textsuperscript{41}. The rise of non-standard forms of work coincides with the de-unionisation of employees, with union density declining almost universally across Europe in recent decades. The associated effects in terms of wage stagnation and decline\textsuperscript{42} signal that trade union coverage and strength will remain an important factor in sustaining wages in the years to come\textsuperscript{43}. The vulnerability of people in non-standard forms of employment will make it necessary to grant them the same rights and access to social protection as workers with standard contracts. Additionally, considering the poverty risk that these workers face during periods of unemployment, measures are also needed to facilitate the transition between jobs, including by providing financial support\textsuperscript{44}.

Migration

As a global phenomenon, migration does not appear to be diminishing, particularly due to wars and military tensions in several parts of the world and the impact of climate change. The inflow of migrants to the EU appears to have slowed as a result of agreements reached with neighbouring countries, through which the main migration routes pass. However, a future increase in the number of people entering the EU cannot be excluded given the global migration trends already mentioned. Even if the unusual level of migration seen in recent years falls and migration ceases to feature so prominently in European political debate, past and present immigration will continue to shape policy choices on poverty reduction and social inclusion. In 2016, almost half of migrants who were non-EU citizens were at risk of poverty or social exclusion. This is more than twice than nationals and considerably more than EU citizens (Fig. 6).

Fig. 6

\begin{figure}[h]
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\textsuperscript{(*)} 2010: low reliability; 2011-2016: estimates.
\textsuperscript{(**)} Low reliability.
Source: Eurostat (online data code: IC Peel05)
The migrant workforce is considered by some to be indispensable in order to ensure the competitiveness of large sectors of the European economy. It is also viewed as the solution to the ageing of the EU population, helping to achieve a balanced welfare system. On the other hand, it has been pointed out that the availability of cheap migrant labour has slowed down technological progress and favoured the expansion of backward sectors. Moreover, workers with a recent migration background are at high risk of being employed in the underground economy. As such, they are subject to a total or partial absence of formal contracts and deriving rights, both in the employment relationship and in terms of access to social protection. This contributes to a "race to the bottom" that compresses rights and generates various forms of poverty. Finally, migration puts a strain on the social solidarity embedded in EU Member States, with citizens less willing to finance a welfare system whose recipients are increasingly individuals perceived as not sharing the values of a community that used to be more homogenous. This could lead to the depletion or even dismantling of social safety nets at a crucially difficult moment when the pressure on the weaker layers of society is growing due to globalisation and technological revolution.

**Social protection, a cornerstone of the European social model at risk**

Although it has been shown that countries with high levels of social protection have weathered the economic crisis better, some governments keep dismantling social protection systems (for example, by lowering benefits or shortening their duration). In many cases this has resulted from fiscal consolidation measures pursued in response to rising fiscal deficits and in a quest for financial and macroeconomic stability. Weak social protection systems and meagre provisions are unable to compensate for inadequate or non-existent salaries, leaving people in poverty. While social security is vital for those who can work – and have proper contracts –, social protection is inevitable for those who cannot work. This includes people with a disability, the (long-term) unemployed, elderly people with low pensions, children in poor households, etc. If the current tendency to reduce the welfare state continues, these sections of the population would be put at a greater risk of poverty and social exclusion.

**Access to essential services and exclusion**

The concept of access to essential services has emerged, underlining their key supporting and empowering role in tackling poverty and exclusion. These essential services include, among other things: housing, social services, education, healthcare and all other forms of child and long-term care, including home care. They may be provided by public authorities or by non-profit or for-profit actors. It should be noted that access to these services means they are both physically available within a reasonable distance – or in the case of banking services, remotely through the internet – and, equally importantly, that they are affordable.

However, instead of investing in these services and their preventive role (health and social services in particular), a trend focusing on their cost-effectiveness has developed. This option puts pressure on access to these services and on their quality, thereby reducing their ability to act as social safeguards. One essential service where this increased pressure on access can be clearly observed is housing. In the EU as a whole, in 2013, housing costs absorbed on average around 39.5% of the disposable income of those with an income below the at-risk-of-poverty threshold. House prices have increased further in recent years (Fig. 7).
Rental prices have not followed the same price development. Over time, however, owners who have bought property to let will want to recover the higher purchasing costs. The recent increase in house prices is likely to negatively impact tenants when they enter into a new tenancy agreement or when their existing leases are renegotiated. Finally, in the worst cases of lack of access to housing, people become homeless. This makes them susceptible to a multitude of forms of discrimination and exclusion, as people without a home address cannot get a job in the open market. As a form of extreme poverty, homelessness also seriously affects mental health. The traditional support system for addressing homelessness, namely shelters, does not facilitate rapid access to housing.

Furthermore, low-income households also experience energy poverty, meaning they find it difficult to pay fuel bills as a result of low income, inadequate building quality and high energy prices. Between 2007 and 2015, general consumer prices in the EU-28 increased by around 13 percent, with average electricity prices growing faster by almost 22 percent, aggravated by incomes growing at a slower rate and in some countries by stagnating or even reduced incomes. If this trend continues, energy spending is going to increase as a share of total household income, worsening the situation of low-income households. Questions may arise as to the validity, at least in terms of price reduction, of the approach that consists of liberalising and privatising energy markets.

Although the definition and impact of energy poverty is different from what is experienced in poorer areas of the world, affordability can be still an issue in developed countries with universal and reliable access to modern energy. Knock-on effects of energy poverty in Europe can include being disconnected from the network by the energy supplier, energy being used at a level below what is comfortable, and debt accumulation. It is estimated that more than 50 million households in the European Union are currently experiencing energy poverty. The most vulnerable social groups are also those with the lowest income, such as the over-65s, single-parent families, the unemployed and those receiving social benefits. Most people with low incomes also live in buildings with inadequate thermal insulation, which exacerbates their energy poverty and increases their exposure to health problems.
THE GOVERNANCE TOOLBOX

Although tackling poverty and exclusion falls primarily within the remit of the Member States, the EU is expected to support and complement Member States' activities in the areas of social security and social protection of workers, integrating those excluded from the labour market and combating social exclusion. The following tools are already available to decision-makers both at EU and Member State level. They represent a possible path for direct and less direct action to tackle poverty and exclusion.

The open method of coordination (OMC) has been applied in European employment and social policies as an intergovernmental means of governance in the EU, based on the voluntary cooperation of the Member States. The role of the Employment Committee and the Social Protection Committee could be developed in these areas. Based on soft law mechanisms such as benchmarking, sharing of best practices and peer pressure, this method has not brought visible results in terms of poverty reduction.

In 2013, the European Commission issued a social investment package, which appeared to signal a paradigm shift towards a stronger focus on social investment, viewed not as a cost but as an investment. However, five years after the launch of this package, not all Member States are implementing it successfully. The reason for this is most probably inadequate financial decisions. According to the EESC, the requested "golden rule" for social investment (fiscal flexibility in the Stability and Growth Pact by allowing social investments to be deducted from sovereign debts) does not seem to have been applied either.

The 2030 Agenda for Sustainable Development was adopted by the United Nations in 2015, along with its Sustainable Development Goals (SDGs). These set out an agenda for change at global level, which includes a first goal to "end poverty in all its forms". While SDG 1 (no poverty), 2 (no hunger), 3 (health and well-being), 4 (quality education), 5 (gender equality), 8 (decent work) and 10 (reduced inequalities) deal with the core of the problem at hand, the need to increase synergies between the different goals to ensure that "no one is left behind" has been recognised. The EU has played an important role in shaping the 2030 Agenda, through public consultations, dialogue with its partners and in-depth research. The EU has committed to implementing the SDGs both in its internal and external policies. However, three years after the adoption of the 2030 Agenda for Sustainable Development, the EU has still not developed an overarching strategy guiding all EU policies and programmes.

The European Pillar of Social Rights (EPSR) is considered to be a "compass for upwards convergence" in the EU and its major tool for achieving many of the SDGs. In principle, its three areas (equal opportunities and access to the labour market, fair working conditions and social protection and inclusion) together form a tripod of equality, employment and social protection, which, as we have seen, are key conditions for reducing poverty. Proclaimed by the EU institutions in late 2017, there is however still not enough clarity on its implementation of this pillar – and the respective actors -, and on how it is to be funded and monitored. The European Commission’s work programme for 2019 also seems to neglect chapter 3 of the European Pillar of Social Rights, which is dedicated to social protection and inclusion.

The social scoreboard, proposed together with the European Pillar of Social Rights, is a tool for collecting data and monitoring employment and social conditions in Europe. However, it only has 12 indicators, which do not fully match the 20 principles of the European Pillar of Social Rights. Moreover, it should be used as a basis for developing benchmarks for the Member States on how to fight poverty and social exclusion. Such benchmarks should cover the adequacy of minimum income schemes, unemployment benefits and child benefits, etc.

The European semester is now considered to be the major EU tool for meeting the EU's employment and social objectives, including poverty reduction. For that to happen, however, these objectives must be placed on an equal footing with macroeconomic concerns. The European semester process culminates with the issuing of the Country Specific Recommendations (CSRs). The European Anti-Poverty Network’s 2018 assessment of the CSRs says that poverty and inequality lack visibility and consistency of approach in these CSRs, and suggests that they require an integrated strategy underpinned by the European Pillar of Social Rights.

The European Commission’s proposal for the 2021–2027 Multiannual Financial Framework envisages a cut in funding for EU cohesion policy. As regards the new European Social Fund, the ESF+, there is a 6% decrease compared to its predecessor. The ESF+ is the main funding instrument for implementing the European Pillar of Social Rights (EPSR) through approaches designed to foster the participation of those who are distant from the labour market by addressing the barriers to their participation, including through access to essential services, adequate income and accessible labour markets. As such, civil society organisations have suggested increasing the share of the EFS+ earmarked for social inclusion to 30% (compared to the 25% proposed by the Commission).

As the EU has limited power in the area of social policy, Member States should design and implement integrated national strategies to combat poverty, social exclusion and discrimination. These should involve all relevant public and private stakeholders. It has been proposed to make it an ex-ante enabling condition for Member States to have a national anti-poverty strategy in order to benefit from the new ESF+.

OPTIONS AND NEW WAYS OUT OF POVERTY AND EXCLUSION

Work: the main battleground for reducing poverty and exclusion

Despite the fact that the standard employment relationship and its regulation favours insiders only and that more attention should be paid to providing universal social protection that is not dependent on employment status, the trend towards de-regulation of the labour market may have currently reached
Collective bargaining and the minimum wage, as tools that directly affect workers’ earnings, compressing overall wage distribution by propping up wages at the bottom of the wage pyramid, may regain pre-eminence even in a context of non-standard forms of work. As pointed out by the ILO, inclusive labour markets cannot emerge without a regulating effort. Active Labour Market Policies (ALMPs), which range from institutional and workplace training offers and indirect employment incentives (job-retaining, job-sharing, recruitment subsidy) to the setting-up of sheltered and supported employment or to the provision of direct job creation (public work schemes) and start-up incentives, can certainly play a role in correcting labour market failures. If not accompanied by solid regulation, however, they risk contributing little to the reduction of poverty and exclusion, and may result only in improving statistics in the domain of employment, unemployment and welfare dependency regardless of the sustainability and quality of work.

There are expectations that the digitalisation of work, with its inherent characteristics of flexibility, anonymisation and remoteness, may have positive effects on the participation in the labour market of individuals and groups that may suffer from discrimination and that constitute a sizeable part of the population affected by poverty and exclusion. This has been pointed out in particular for women (who suffer from a 16.2% gender pay gap and a 39% gender pension gap), with claims that the position of women in the labour market would improve. More flexible ways of working may make it easier to combine paid work with caring responsibilities, which are still largely shouldered by women. Even if this may promote women’s access to the labour market, it poses a substantial risk in terms of their professional career development. Unless effective measures are taken to ensure a balanced distribution of caring responsibilities between men and women and the availability of childcare facilities, the gender pay gap and gender inequality in working conditions will not be fully addressed.

Investing in people: social investment, experimentation and innovation

Opinions converge when it comes to the crucial role of social investment in the sense of a set of policies designed to strengthen people’s skills and capacities and support them in participating fully in employment and social life, in turn reducing levels of poverty and exclusion. Social investment can be thought of as public and private contributions that are of public benefit. Distinct from traditional grants, investment implies a return. Distinct from traditional investment, the return is primarily social. Targeting education and skills interventions early on in life and at critical junctures (both individual’s transition phases and technological challenges, i.e. digitalisation) throughout the life course is essential to ensuring that everyone is equipped to lead meaningful and productive lives, ensuring that individuals from disadvantaged backgrounds are empowered to climb the socio-economic ladder. Intervening at an earlier stage is more effective than trying to fix the symptoms of asymmetries due to inequality at later stages of life through redistribution policies.

Key factors for individual success and equality of opportunities are related to the availability and quality of essential services (such as education, housing, healthcare, etc.) and the creation of favourable business conditions (opportunities, financing, a favourable market and the possibility of gaining access to it, etc.) Last but not least, social spending is not a dead cost, but definitely it has to be seen as an investment as it creates employment and can foster innovation (e.g. in the health domain).

It appears that the potential of microcredit, as an effective instrument to fight social and financial exclusion, will be further explored by the EU and its Member States. It is not clear to what extent the need to re-balance assistance in favour of individuals and away from unsustainable enterprises will materialise in governments’ choices.
It can be expected that more institutional actors will have recourse to social experimentation to find workable models for future social policies. This method typically investigates the effects of a policy intervention by randomly assigning individuals, families, businesses or other units to different treatments or to a controlled condition representing social and economic alternatives to the status quo. These experiments seem to be a better alternative than deciding policies uniquely on the basis of ideology or electoral pressure.

The role of civil society is likely to expand in response to the diversity of social needs and social innovation and, through new strategies, concepts, ideas and organisational patterns, will consolidate and improve the well-being of individuals, communities and local areas in terms of social inclusion, jobs and quality of life. However, despite the questions that still remain to be answered as regards the financing of social policies, social investment and social innovation these should not be seen as replacements for social protection, but as complements to it, in order to achieve flexibility, stability and protection, as well as collective risk-sharing, while defending social spending and increasing its effectiveness.

Minimum income through adequate support for those who need it is another important measure to address poverty. The relevance of the measure has become even more evident after the 2008 crisis. Other than tackling persistent poverty affecting people who cannot work (children, young people who are studying, people with severe forms of disability, pensioners, etc.) the reasoning behind this measure is also to help people who, despite having one (or several) jobs, cannot "make ends meet" (the working poor, those with temporary jobs or other insecure forms of non-standard employment, who are typically more easily shed from the workforce and often not entitled to unemployment benefits). In the context of globalisation and automation, periods of employment are shorter and transitions into and out of work more frequent. As a result, coverage by social insurance benefits can be less universal and generous. Although ways around the exclusion of these workers from social security are being explored, for instance by making social security mandatory for workers and their employers regardless of the type of work contract, and by designing systems where social benefits are attached to the worker rather than to the job or company, the establishment or strengthening of a minimum income tool will remain high on the reforms agenda of many Member States.

To design the adequate levels of minimum income, it will be necessary to use reference budgets (baskets of goods and services that a family of a specific size and composition needs in order to be able to live at a designated level of well-being in a given context). For it to be fair, it must be placed between the poverty threshold of a given country and its minimum wage, avoiding work deterrence and subsidy dependency effects. (Moreover, the EU could consider framing Member States' efforts through guiding instruments (a directive) proposing common standards and indicators to improve the adequacy of existing schemes and provide methods for monitoring progress. Minimum income should not be confused with the Universal Basic Income (UBI) which, if unconditional (not 'means-tested'), could risk being off target by also benefitting those who are not in need.

Tax shift: an inevitable discussion

Together with much stronger efforts to tackle tax avoidance and evasion, a discussion on taxation sources may be unavoidable. Income distribution varies across countries mainly because of policy decisions. Wide variations in income may be more linked to differences in policies and institutions shaping income distribution than to the impact of technology and globalisation. Adjustments in fiscal
policy have a direct effect on pensions, education and health, but also an indirect effect on inequality by providing resources for infrastructure that can increase social equity and facilitate the social elevator. In developed countries, Gini after taxes is usually 25% lower than before taxes, while the poverty level is 55% lower after taxes\(^74\). A return to stronger models of progressive taxation is not to be excluded and whereas the tax basis of today is overwhelmingly on labour, the predominant tax base of tomorrow could shift – or may need to shift – to less distortive taxes on wealth (fortunes, high incomes, financial transactions, etc.), consumption (unhealthy products, etc.), pollution (natural resources consumption tax, carbon tax, green custom duties, etc.) and digitisation (introduction of a "digitisation dividend"\(^75\) or "digital tax"). The partial or complete replacement of VAT with a more congruous tax on electronic financial transactions\(^76\) or the idea of bringing the "polluter pays" principle to individuals and households\(^77\) are among the possible schemes that are already being explored. In this regard, the debate on a transition to sustainability which is fair to the most vulnerable sectors of society (the "just transition") is related to the pursuit of a double dividend in tax reform, whereas the revenue from taxing emissions is rechannelled to the labour market in the form of lower taxes on work and increased emphasis on other labour market measures critical to facilitating adjustments to disruptive changes (e.g. training.)\(^78\). Furthermore, when looking into "energy poverty", environmentally harmful subsidies, such as those on fossil fuels, which obey a "linear" not "circular" logic\(^79\), are to be avoided in order to accelerate the transition from a linear "take, make and waste" economic model to a circular economy in Europe, by recycling and reusing already depleted and finite natural resources.

**Beyond GDP: focus on sustainable societies**

The advent of digitalisation multiplies the opportunities to create systems based on the sharing economy. Besides Uber and Airbnb, relegated by some to the sub-category of "platform economy", the sharing economy comprises what has been defined as a "community-based" economy, which includes initiatives built around non-contractual, non-hierarchical or non-monetised forms of exchange for products or services. These initiatives promote inclusiveness and social bonding within the community as a solution for overcoming problems\(^80\). It is, in some of its forms, a functional economy that replaces the idea of selling a good with that of selling the use of a good. This economy, based on use rather than ownership, offers access to products at prices that are lower than the price of owning them and can lead to more environmentally sustainable patterns of production. It therefore offers interesting prospects in terms of consumption and wellbeing.

For most acute poverty situations, immediate advantages of the sharing economy can be found in areas such as food and mobility. Apart from material help, the sharing economy also enables the forging of social links, key to reducing exclusion\(^81\).

The circular economy reduces energy consumption by reusing products and recycling materials so that economic activity no longer degrades the planet. Products are reused, repaired, upgraded and recycled. The circular economy is both less risky and less costly than the "linear" one. The prevalence of the circular economy in Europe could have positive impacts on the availability and affordability of resources, among others fresh and nutritional foods. Other positive effects would result in the reduction of societal costs (health in the first place) linked for instance to air and noise pollution.
The activation of the circular economy raises the question of what a just transition, a transition towards an environmentally sustainable economy that would not negatively affect vulnerable sections of society and workers, should consist of. The issue has been discussed by the ILO and it seems that the main challenge will be to align macroeconomic and growth policies with social and environmental objectives. A useful form of support may come from sustainable finance, which sets out to funnel capital flows towards a more sustainable economy, taking as a reference the UN Sustainable Development Goals (SGDs). This would mean incorporating social and environmental questions into investment choices and focusing on responsible lending.

PARADIGM SHIFTS

While at the policy level the number of choices is limited and to a great extent known, the topics of poverty and inequality have been, and still are, at the centre of a broader debate that ventures into the terrain of sociology, philosophy and other disciplines. Even if these ideas are unlikely to be immediately taken up in our societies as they are currently structured, it is worth bearing them in mind and exploring them as they may be, at least partially, a source of inspiration for alternative policy design.

SOCIAL GENERATIVITY

In contemporary social theory the possibility that an asymmetrical relationship can produce something different from an exploitative relationship had not been explored. Social generativity, at first glance a form of generosity, is presented as an alternative outcome of the asymmetrical relationship which can be observed in communities that are relatively small in size. The principles that define endowment actions of social generativity are the following: the endowment action goes beyond what is required by the law, providing the recipients with resources for self-emancipation and over time increasing their bargaining power and social strength. A final characteristic is that social generativity can be, and often is, oriented towards the future generation, a discourse that is closely correlated to respect for and enhancement of environmental resources. Furthermore, social generativity may have also a strong economic impact: shared value is created, social knowledge is “de-stocked” and know-how can circulate. Generativity, according to psychoanalyst Erik Erikson, is a life stage where an individual must find a balance between self-absorption and caring for the next generation. To avoid stagnation, or hindering progress, individuals may focus on helping the next generation — for example through raising a family, or through volunteer work or mentoring schemes. Mauro Magatti and his colleagues have suggested linking this with changes in our society, focusing on the financial crash of 2008 and the long-term impacts of a culture of consumerism. On a macro level, they posit that a society of rampant economic growth, based in part by the drive for individualism through consumerism, is akin to adolescence, and that it is now time to take stock and reassess where our society is going.

POST GROWTH

Our fixation on growth — as measured by Gross Domestic Product (GDP), a major component of which is consumption — is responsible for economic, social and environmental problems. The underlying idea of “de-growth” is not to abandon economic growth altogether, but to contemplate a reduction in the size of the economy to prioritise greater equality and human and ecological wellbeing. It is about making a shift from fulfilment measured in “accumulation” towards more intrinsic human values, such as wellbeing. While questioning the supremacy of economic growth as a policy objective is at the heart of post-growth policies, it must not be considered as the only goal: the economics of post-growth is also about a fair distribution of wealth, sustainable trading practices and policies that encourage activities with positive environmental and social externalities. The prescribed approach seems to be that of “prosperity without growth.” According to this approach, macroeconomic measurements (GDP, productivity) become meaningless when a development model is devised that is based on ‘living well’ and on the quality and sustainability of products and services.
POSSIBLE SCENARIOS

Scenario 1: Poverty, an inevitable feature of our societies
In this scenario no major initiatives are taken to tackle poverty and social exclusion, which are accepted as inherent in human societies, even affluent ones. Improved education policies and meritocracy allow limited ascent of the socio-economic ladder by a few; however, income inequality does not recede, even in the presence of economic growth, while wealth inequality increases exponentially, partly as a result of the difficulty in taxing sufficiently wealthy companies and individuals across fiscal jurisdictions. Furthermore, pollution and climate change effects affect the poorer section of the society disproportionally in terms of worsening health, exposure to natural disasters, limited access to nature and scarcity and high-price of resources. The part of the population that does not see any prospect of improvement in their future condition, or experiences a worsening of it, increases progressively and is readier to embrace extreme political proposals infused with nationalist and protectionist ideas. Forced to choose between left-wing and right-wing populism, political and economic elites will side with those guaranteeing their wealth. Poverty and social exclusion will advance, exacerbated by the unrestrained use of big data for social and economic profiling by private companies and government.

Scenario 2: Generous and unbalanced social policies
This scenario assumes that as a result of populist parties dominating governments or influencing them by means of their competitive political offer, more generous social policies or rather social interventions will be introduced. However, the European Pillar of Social Rights, the most encompassing and far-reaching project to date, does not draw enough strength from the EU institutions that proposed it as they are significantly weakened as a result of the 2019 European elections. Rather than a rational and comprehensive approach to deal with poverty and social exclusion, it can be expected that new developments will take place at the national level and will mostly represent ad hoc solutions to contingent situations, likely to cause imbalances and hamper growth. This further increases divergence between European countries and causes tensions in the euro area and in the EU in general, in particular in the area of free movement. The level of rationality and effectiveness of these policies follows patterns already observed in recent years in different countries but they are all likely to be based on an exclusionary element (benefits assigned in a highly discriminatory way).

Scenario 3: Sustainable and social Europe
This scenario foresees the social question gathering momentum in the EU as a result of pressure from the populist threat which, while not materialising in a paralysis of the institutions, encourages lawmakers and civil society alike to support far-reaching social and economic reforms at the national and EU level. Its basis lies in a converging tax policy characterised by progressivity and in a shift from taxing labour to taxing resources, consumption, wealth and global company profits, facilitated by technological advancement and much closer cooperation and alignment among Member States. With reinforced national and EU budgets, policy makers are able to design social policies linking the local, regional, national and EU levels and based on social experimentation, while peer pressure to perform well is embedded in the European Semester exercise. In parallel, organised civil society, prominently progressive and environmentally conscious, pushes towards non-hierarchical forms of organisation and engagement, such as the sharing and circular economy. These activities do not replace traditional political and regulatory work, but they make an important contribution to political socialisation and social inclusion. In this scenario, organised civil society sees itself as an actor of poverty and exclusion reduction as well as of environmental protection, which becomes a powerful catalyst for mobilising
European citizens. As a result, the European economy increasingly functions on a circular model; no waste is produced that is not offset through other measures, while use of fossil fuels has been reduced to the point of making the EU resilient to external shocks in this area.

**QUESTIONS FOR DISCUSSION**

- What impact can be expected from the rise of populism and its arrival in government on the design and implementation of social policies in the EU?

- In a context where Member States do not want social policy to be driven by a supranational agenda, how far can EU go to fight inequality?

- Do "directing resources to business for job creation" and "investing in people through social investment" constitute an unsolvable dichotomy? If so, what approach is likely to prevail in the EU?

- Will education, in particular compulsory education and life-long learning programmes, be adequately redesigned as a measure to fight poverty at its roots, in order to take account of the digital divide and equip the labour force with stronger problem-solving and soft skills to beat competition from machines?

- Will it be financially sustainable to pursue on the one hand policies that fight the factors behind poverty and facilitate social mobility through social investment and, on the other hand, policies that provide direct financial support, using tools such as a minimum income?

- How decisive will the role of tax policy reform be in fighting poverty through a shift from labour-based taxation to less distortive taxes on wealth, consumption, natural resources and pollution?

- How can the existing funds (ESF+, ERDF, etc.) and the European Semester framework, contribute effectively in reducing poverty and exclusion in the EU?

- Can increased environmental protection be achieved without affecting negatively the less wealthy portion of the population?

- In a context where relative poverty or a perception of inequality disquiets established national middle classes, what the social contract will look like between generations and in a more diverse society?

- Could an overarching EU 2030 Strategy for sustainable development help to achieve greater integration of the SDGs into EU governance, budgeting and monitoring and in turn contribute to reduce poverty and exclusion?

- On the basis of which indicators, measuring well-being beyond should an alignment between the EU social Scoreboard and the EU SDGs take place in a post 2020 perspective?

- How could a strategy beyond economic growth and consumerism, supported by relevant well-being indicators, contribute
ENDNOTES

1. The poverty indicators adopted in 2010 (and still being used, see the graph "Evolution of the three components of the at risk of poverty or social exclusion rate in the EU" included in the recent Eurostat news release 159/2018 on AROPE of October 16, 2018) aim to cover the following situations and their intersectionality: 1) being at risk of poverty (living in a household with an income below 60% of the national median equalised income after social transfers), 2) suffering material deprivation (living in conditions constrained by a lack of resources and experiencing at least four out of nine “deprivation items” - coping with unexpected expenses; one week annual holiday away from home; avoiding arrears (in mortgage or rent, utility bills or hire purchase instalments); a meal with meat, chicken, fish or vegetarian equivalent every second day; keeping the home adequately warm; a washing machine; a colour TV; a telephone; a personal car), and 3) living in a household with low work intensity (where adults – not students – worked less than 20% of their total work potential during the past year).


4. These people were in at least one of the following three conditions: at risk of poverty after social transfers (income poverty), severely materially deprived or living in households with very low work intensity. After three consecutive increases between 2009 and 2012 reaching almost 25%, the proportion of persons at risk of poverty or social exclusion in the EU has since continuously decreased to 22.5% last year, 1.2 percentage points below its 2008 reference-point and 1 percentage point below the 2016 level. Eurostat News Release 159/2018 - 16 October 2018.

5. Eurostat, At-risk-of-poverty or social exclusion rate by Member State, 2016.


8. European Institute for Gender Equality, Poverty, gender and lone parents in the EU.


12. IMF, Inequality and poverty across generations in the EU, January 2018.

13. EESC opinion SC/47 on The transition towards a more sustainable European future – a strategy for 2050.


15. Branko Milanovic, The greatest reshuffle of individual incomes since the Industrial Revolution.

16. PWC, "Will robots steal our jobs? The potential impact of automation on the UK and other major economies.

17. CEDEFOP, Focus on Polarisation of skills in the labour market, 2015; Michael Boehm, Job polarisation and the decline of middle-class workers’ wages, CEPR, 2015.

18. EESC opinion SOC/587.


20. According to a recent OECD study, inequality in disposable income remains at an all-time high. In the 1980s, the average income of the richest 10% of society was 7 times higher than that of the poorest 10%. It is now 9.5 times higher. OECD, Understanding the Socio-Economic Divide in Europe, Background Report, 2017.


23. World Economic Forum, Inclusive Development Index 2018 - Summary and Data Highlights. In economics, the Gini coefficient, sometimes called Gini index, or Gini ratio, is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents, and is the most commonly used measurement of inequality.

24. While euro area GDP grew by more than 16% between 2008 and 2015 (more than 17% in the EU-28), the disposable net income of households stagnated, growing by just 2% for the EU-28. In the 24 OECD countries productivity has increased by 27% since 1995, while average labour compensation has fallen behind, rising by only 22%. EESC opinion SC/47 - The transition towards a more sustainable European future – a strategy for 2050.


34. In Europe, the share of the top income group in income (45%) is correlated to its share in the carbon footprint (37%) and vice versa for the bottom income group (6% in income and 8% in footprint) - Institute for the European Environmental Policy: The social dimension of Think 2030 - EESC Stakeholder workshop.

35. See Éloi Laurent and Philippe Pochet: Towards a social-ecological transition - Solidarity in the age of environmental challenge, ETUI, 2015.

Oxfam, "Extreme Carbon Inequality" Figure 4: Per capita lifestyle consumption emissions in G20 countries for which data is available.


Source: Eurostat.

EESC Information Report "Follow-up to SOC/537".

Eurofound, "In-work poverty in the EU," 2017.


LSE, International Inequalities Institute, "The transition to the knowledge economy, labour market institutions, and income inequality in advanced democracies," 2017.

See Eurofound: In-work poverty.


OECD, "Bridging the Gap: Inclusive Growth 2017 Update Report."

OECD, "Bridging the Gap: Inclusive Growth 2017 Update Report."

According to Eurostat (2016), some 25 million children were living in poverty and exclusion in 2016. That is 26% of the EU population under 18.

EESC opinion SOC/542.

Source: Eurostat - Housing costs relative to disposable income for population at risk of poverty, 2013.

ECB Economic Bulletin, Issue 1/2018, Ch. 3.

General consumer prices in the EU-28 increased by around 13 percent and average electricity prices grew faster, by almost 22 percent, with incomes growing at a slower rate, and in some countries stagnating or even reduced incomes. EAPN and EPSU, Right to Energy for all Europeans, 2017.

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Orsolya Lelkes, "Housing Quality Deficiencies and the Link to Income in the EU." European Centre, March 2010.

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Marc Chesney: De la grande guerre à la crise permanente.

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