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COMMUNICATION FROM THE COMMISSION

BUILDING AN INCLUSIVE EUROPE

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1. SUMMARY

1.1. Introduction

This initiative proposed by the European Commission expresses the ambition and commitment of the Union to promoting more inclusive economies and societies thereby responding to the strong expectations which have been expressed by the Parliament, NGOs, social partners, local authorities and which have been confirmed by the Member States at the recent Informal meeting of Ministers for Social Affairs held in Lisbon on 11-12 February 2000. This initiative would use the significant new Treaty provisions agreed in Amsterdam to promote co-operation with and between Member States, set up specific measures to support their action and complement existing Community policies which contribute (directly or indirectly) to social cohesion. It would promote partnership between all relevant stakeholders by strengthening their capacity to progress towards an inclusive Europe.

1.2. The Mandate

The European Union enters the new century with a renewed and strengthened commitment to promoting solidarity and moving closer to the citizens. Building on the achievements and prospects for European economic integration, the Amsterdam Summit gave a powerful signal to develop EU employment and social policies. As a follow up, the Luxembourg Summit launched the European Employment Strategy and a promising process of mutually reinforcing employment and economic policies. And now, in order to speed up the transition to a Europe of innovation and knowledge, the forthcoming Lisbon Summit will broaden the scope of policy co-operation to foster further articulation between employment, economic reform and social cohesion.

1.3. The Goals

In the light of these developments, and as a follow up to the broad consultation with Member States and civil society organisations conducted over the last twelve months, the Commission proposes now to launch a new initiative aimed at supporting the efforts of Member States to combat social exclusion. This initiative responds to the recognition of Member States that social exclusion presents one of the major challenges faced by our economies and societies. The challenge is not only to provide a better assistance to those excluded (or at risk of exclusion), but also to actively address the structural barriers to social inclusion thus reducing the incidences of social exclusion. This initiative also addresses the potential new forms of social exclusion, which may emerge with the move towards the knowledge economy and society. It is in this new context that strategies for inclusion have now to be designed. In presenting this Communication, the Commission is seeking to complement its overall contribution to adapting our economies and societies to the acceleration of technological and knowledge based innovation. Its communication "e-Europe The Information Society for all" stressed the potential of e-Europe for growth and proposed initiatives to accelerate Europe's transition to the Information Society and boost its impact¹; its communication on "Strategies for jobs in the information society"² proposed ways to strengthen job creation, this communication puts emphasis on the need to address its effects on social cohesion.

¹ COM (1999) 687

² COM (2000) 48

In proposing the present initiative on social inclusion, the Commission pursues its efforts to contribute to the promotion of a Europe for all and in particular it complements the package of proposals it has recently adopted with regard to the fight against discrimination³.

2. THE CHALLENGE OF SOCIAL EXCLUSION

Europe is a prosperous continent, and the strength of its economy generates considerable wealth, and creates jobs. Both are essential for sustaining high standards of living and quality of life. Moreover, Member States have developed comprehensive mechanisms to ensure a degree of redistribution of the prosperity resulting from the competitive economy, in particular through their social protection systems. However, a significant number of Europeans still live in poverty and are subject to social exclusion on account of structural barriers.

The ever-accelerating changes which reshape our economies and societies are likely to exacerbate vulnerability and increase the risks of social exclusion, affecting in particular those who have not acquired the skills necessary to succeed in the innovation and knowledge-based activities as well as those who are for various reasons not participating in the labour market.

2.1. Low income and vulnerability

According to current EUROSTAT data, some 18 % of the EU population live with less than 60 % of national median incomes, the low-income threshold taken to measure relative poverty⁴. This EU average is reflected in national poverty rates which vary from 11 to 24 %, with little change reported during the last ten years. Social transfers have been successful in keeping the rate at 18 per cent. Without them, the poverty rate would have risen to 26 % instead. This demonstrates both the successes and the limits of income redistribution policies⁵. EUROSTAT data also confirm that those living under this poverty line are experiencing deprivation and serious difficulties in fully participating in society⁶. The extent of poverty and social exclusion challenges the notion of Europe being a champion of social justice and solidarity.

The Commission's first report on economic and social cohesion indicates that cohesion within most Member States has weakened during the last decade. OECD and national statistical sources in Member States also pinpoint a trend towards widening disparities and weakening cohesion. Data from Member States show that more than 10 million people depend on social assistance schemes without which they could not subsist. It is particularly worrisome that the situation is worsening in the majority of Member States.

OECD and national studies (including Germany, the UK, France and the Netherlands) provide evidence that vulnerability is more widespread than snapshot poverty figures indicate. In addition to the people who are experiencing long-term poverty (maybe 3 to 6 % according to the scarce data available), large number of Europeans face poverty and precariousness in

³ COM (1999) 564-565-566-567 25/11/1999

⁴ EUROSTAT, Statistics in Focus, 1/2000 Social exclusion in the EU Member States. The figures relate to second wave of the European Community Household Panel and refer to the income situation in 1994 in 13 Member States (EU except Sweden and Finland). Applied to the 15 Member States, the 18 % rate would represent more than 65 million people.

⁵ EUROSTAT, Statistics in Focus, 13/1999 (in these figures, pensions are not considered as social transfers)

⁶ EUROSTAT Statistics in Focus 1/2000; see also the forthcoming Commission Communication "Social Trends : prospects and challenges"

relation to the labour market on account of low incomes. The very fact of holding a job at a particular time does not necessarily protect people from the risk of social exclusion. Even in Member States where income distribution tends to be relatively equal, between 20 and 40 % of the population live on the margins of the poverty line and experience spells of low income over a period of 3-6 years, particularly as a result of repeated periods of unemployment⁷.

2.2. A multidimensional phenomenon

The extent of social exclusion calls on the responsibility of society to ensure equal opportunities for all. This includes equal access to the labour market, to education, to health care, to the judicial system, to rights and to decision-making and participation.

Employment is the key route to integration and social inclusion; unemployment is the major factor of exclusion, particularly long-term unemployment and the increasing concentration of unemployment in households with no one in work. In addition to 16 million unemployed, half of them long term, there are the so-called "discouraged" workers, people who do not seek work because they see no prospect of getting a job. There are also those who experience recurrent periods of unemployment or inactivity mixed with periods of low wage, oftentimes in conjuncture with insecure employment. Taking a low-paid job may enable unemployed people to gain experience and improve their employment prospects. But such jobs are not always sufficient for people to escape the vicious circle of exclusion by making the transition to higher quality employment.

However, social exclusion goes beyond issues of unemployment and access to the labour market. It is evidenced by several types of deprivation and barriers, which alone or together prevent the full participation in areas such as education, health, environment, housing, culture, access to rights or family support, as well as training and job opportunities. Discrimination and xenophobia can exacerbate social exclusion, in particular for immigrants. Social exclusion also raises particular questions in relation to social protection policies – most notably the safety net schemes and their related measures. It calls for attention to education, and training policies, in particular with the view that life long learning is becoming vital if people are to be empowered to act as full members of the knowledge and information society⁸. Access to and the quality of public and private services are also major issues as well as care services. Fighting against school failure and ensuring access to the technology of the Knowledge Society, and the skills and competence needed to take advantage of it is also essential to ensure that the information age does not actually create new divisions in society but rather promotes inclusion and cohesion.

The balance of factors contributing to the experience of exclusion varies for individuals, between women and men, and between Member States.

2.3. A structural phenomenon

The structural trends that are currently reshaping our societies will, if managed successfully, lead to economic growth and therefore generate opportunities for a more cohesive society. However, they also hold the potential to increase the risk of social exclusion.

⁷ See statistical note

⁸ As has been recognised in the White Paper "Teaching and learning : Towards the Learning Society" and in particular in the framework of its third objective "Combating Exclusion".

2.3.1. The changing world of work

Economic progress does not automatically bring benefits for all. Inequalities in the sharing of benefits and costs are by-products of market forces, which create winners and losers. With the globalisation of economies, high speed technological change, industrial restructuring and the dynamics of job destruction and creation, work and the labour market are drastically changing and reshaping the balance between flexibility and security and offering new opportunities to those who are the most employable and adaptable. But they also tend to marginalise those unable to adapt to mobile and flexible work patterns or unprepared to acquire the skills required for new tasks within the knowledge economy.

2.3.2. The knowledge society

Although all societies in history have advanced through the development and application of knowledge, we are experiencing a major change in the role it plays in the economy. Knowledge accounts for a larger share of the value of many products and services than ever before. Today's knowledge is more and more codified and transmitted through the information technologies which are the key driving force for growth and job creation⁹. The increasing use of these technologies will reduce barriers of distance and offer new opportunity for disadvantaged groups and areas. But it may also create new forms of social exclusion linked to digital illiteracy and unequal access to the opportunities to acquire and renew skills. The knowledge based economy is increasingly challenging the adaptability of companies and the work force and setting new demarcation lines between the haves and the have nots in terms of skills, qualifications and competencies.

2.3.3. Socio-demographic change

Ageing of the population, leading to an increase in the dependency ratio, tends to add to the financial pressure on social policies. In addition, with demographic trends towards ageing and the break up of traditional family structures and patterns, more people experience more individualised lifestyles and what may be long-term periods of isolation which make them more vulnerable to exclusion. There are increasing inequalities between dual income and one-income households, with single parent families and, in particular those led by women. Homelessness is one of the more severe expressions of poverty and social exclusion.

2.3.4. Territorialisation

The risk of widening divisions in society is also fuelled by the increasing geographical polarisation of development. This is particularly present in areas where the poor level of wealth and the lack of infrastructures are structural obstacles to economic and social development. Furthermore, negative trends are obvious in depressed rural areas, in old industrial districts as well as in many urban areas affected by unemployment, underemployment, discrimination, segregation, violence and the ghettoisation of entire neighbourhoods which have become more and more deprived and cut off from the society around them.

⁹ See the above mentioned Communications "e-Europe an Information Society for all" and "Strategies for jobs in the Information Society"

2.4. Conclusion: Towards a Comprehensive Policy Approach

The full scope of the challenge may only be realised if its multi-dimensional and structural nature is identified and addressed. Thus, a comprehensive and co-ordinated policy approach to social inclusion should go far beyond the redistribution of prosperity by means of passive benefits paid to those left out by economic and social change – the challenge is not so much to increase redistribution but to manage our economies and societies in a way which maximises the potential for full participation and quality living for all. The focus should be on fostering active participation, so as to reduce the waste of human resources and to achieve a fair distribution of opportunities. It should also be focused on ensuring that the objective of social inclusion is incorporated into economic and social policies.

In the face of the current dynamism of economic and technological change, such a pro-active perspective in favour of social inclusion becomes vital. It calls for a wide mobilisation of public as well as private actors at all levels. More than ever, encouraging and supporting a forward looking adaptation process that prepares all citizens for change offers the best prospect for the strengthening of solidarity and social cohesion.

3. POLICY DEVELOPMENTS IN THE MEMBER STATES

Combating social exclusion is first and foremost the responsibility of Member States and their national, regional and local authorities. Social partners and non-governmental organisations also play a major role in this respect.

During the last decade, social exclusion has been a growing concern on the policy agenda in a majority of Member States, particularly but not exclusively in relation to employment and social protection. There has been an increasing focus on the need to guarantee social integration.

The importance of social exclusion for policy making is highlighted by the fact that most of public expenditure in Member States goes on areas which contribute to countering or softening the effects of exclusion. Specific actions are implemented in a wide range of policy areas such as housing, education, training, health, information and communication, mobility, security and justice, leisure and culture etc. But as experience with tackling exclusion in individual policy fields increases, there is a growing recognition that ensuring full inclusion of people in an increasingly competitive knowledge and information society requires sophisticated, targeted, innovative, integrated approaches as well as new forms of partnership and participation of stakeholders, especially the excluded themselves.

Thus combating social exclusion has not only become an increasing priority for Member States but also a goal which they attempt to tackle increasingly through strategic measures and action. Ireland and Portugal, for example, have adopted national programmes.

- Ireland established "Sharing in progress: the national anti-poverty strategy", following the UN Social Development Conference in Copenhagen in 1995, with the overall aim to reduce the proportion of the Irish population which lives in persistent long-term poverty from 9-15% to less than 5-10%. Based on a multi-dimensional understanding of poverty and social exclusion, the Irish strategy is supported by a strong partnership approach and specific institutional structures at the political as well as administrative level, using targeted mechanisms such as 'poverty and equality proofing' of relevant policies.

- In Portugal, the "Programa Nacional de luta contra a pobreza" was complemented by INTEGRAR, followed by the establishment of a minimum income scheme in 1997 which offers recipients financial support as well as active measures to foster their social and vocational integration. Underpinning these two programmes is "O pacto de Cooperação para a solidariedade social" aimed at promoting wide co-operation between all stakeholders.

In the Netherlands and Belgium, and more recently also in the UK, poverty and social exclusion have become a cross-Government priority implemented through specific co-ordination mechanisms. Progress is monitored systematically and a public policy debate is actively promoted, based on the publication of comprehensive poverty situation and progress reports. This has been accompanied by the development of a growing number of indicators and the setting of specific targets in relation to social exclusion and poverty in key policy areas (employment, education, health, housing, services etc.), for high-risk groups (long-term unemployed, single parent households, child poverty, early school leavers, low-income households, persons with disabilities etc.), for deprived areas and neighbourhoods.

Other Member States such as France aim to improve the overall impact of policies on social inclusion through framework legislation which defines exclusion in terms of access to fundamental rights in relation to employment, housing, health care, justice, education, training, culture, family and child protection. The legislation has made social inclusion a specific priority for public policies which compel all public institutions and other stakeholders to participate in the implementation of the principles established by the law. To make policies work better for the people for whom they are designed, the law also provides for the representation of excluded people as well as bodies which defend their interests in the different forums where decisions concerning them are taken.

There is a general trend, in those Member States where the combating of social exclusion and poverty is a priority, towards trying to involve the excluded in making policies more inclusive. The need for an integrated approach has inspired the idea of 'Pathways for integration', an operational notion which has become a key principle for actions to combat exclusion implemented in all Member States with the support of the Structural Funds.

To combat social exclusion and prevent the emergence of a two-tier society, a number of Member States such as Denmark and Sweden have put emphasis on the activation of their employment and social protection policies in order to improve employability and social integration, to prevent exclusion from the labour market and to reduce welfare dependency and poverty traps. Efforts have led to a growing recognition that employment contributes to solving exclusion but that it is not the solution. How to promote sustainable inclusion, for example, of people with low skills who tend to move between low paid jobs and periods of unemployment has become an important concern for all Member States.

The ultimate aim of all these efforts is to make all relevant policies work better for social inclusion, through promoting an integrated approach and co-operation, which takes into account the dynamics of exclusion.

This wide array of actions constitutes a rich source of experience and good practice and creates the potential for the development of Community action to foster a fruitful co-operation and exchange among policy makers and other actors in this field.

4. THE CONTRIBUTION OF COMMUNITY INSTRUMENTS AND POLICIES TO SOCIAL INCLUSION

A range of Community policies are already relevant to social inclusion, either directly or more often indirectly. Their impact should be strengthened but also made more visible.

The Union is committed to ensuring that economic development and social progress go hand in hand. The full implementation of the EU Broad Economic Policy Guidelines and the Employment Guidelines is essential to ensure the mutually reinforcing promotion of growth, employment and social cohesion.

Employment creation is crucial to combating social exclusion. The European Employment Strategy makes a major contribution, by addressing labour market issues generally and more particularly by targeting long term unemployment and youth unemployment as well as the lack of equal opportunities for women and persons with disabilities in the labour market, and by promoting an appropriate balance between flexibility and security. Ensuring that the Employment Guidelines effectively reflect the needs of everyone was given increased weight in the 1999 Employment Guidelines. Their emphasis on active measures to reintegrate people into the labour market was strengthened. This includes reforms to tax and benefit systems, and promotion of lifelong learning to enable workers, particularly older workers and people excluded from the labour market (eg: disabled persons, ethnic minorities) to improve skills, especially in fast-changing fields such as information and communication technologies and thereby remain and participate actively in working life. There is a reinforced commitment to equal opportunities for women and a further emphasis on the quality of jobs: providing jobs but also good jobs.

The Structural Funds are the main financial means of direct Community support for the most disadvantaged regions and people in the EU. Following the current reforms the Funds in the period 2000-2006 will increasingly promote social inclusion. The focus on integration, thematic and geographical concentration, and partnership will increase the efficiency of objectives 1 and 2 structural measures to reducing regional disparities and supporting the development of disadvantaged areas. Objective 3 aims at supporting adaptation and modernisation of systems and policies in education, training and employment. It covers, in particular, the reintegration of people excluded from the labour market and the fight against long-term unemployment. Current Community Initiatives are also active in promoting social inclusion, especially the INTEGRA strand of the EMPLOYMENT initiative, and URBAN and LEADER on urban and rural integration respectively. The new Community Initiative under the European Social Fund, EQUAL, will support new avenues of addressing exclusion, discrimination and inequalities in relation to employment.

Promoting social inclusion is one of the objectives referred to in the Concerted Strategy for Social Protection which the Commission has recently proposed to the Council¹⁰. The Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems contributed to facilitate the exchange of experience between Member States and is a good base on which to build further developments.

The Knowledge Society has the potential to be a powerful force for inclusion and cohesion in Europe, provided that strategies to this end are designed to respond to the needs of

¹⁰ COM (1999) 347 final of 14.07.99

disadvantaged groups and geographic areas. The Commission's proposals on "e-Europe – The Information Society for all" and "Strategies for jobs in the Information Society"-will also give an impetus to policies more responsive to the challenges of promoting inclusion and cohesion. Investment in awareness raising and public access - by both government and industry – is needed. More generally, Europe's population, and young people in particular, must have extensive access to new basic skills – they must be helped to develop a capacity to learn and to resolve problems; they need an appreciation of science and technological skills; they will need to be able to use information technologies, speak foreign languages, to develop a sense of initiative and entrepreneurship; and to be active, free and responsible citizens.

Other Community policies also contribute to promoting social inclusion: the framework programmes for research, the Commission's Framework for Action for Sustainable Urban Development, the education (SOCRATES), training (LEONARDO DA VINCI) and Youth (YOUTH) programmes, the "Second Chance Schools" scheme, the Commission's proposals to combat discrimination, gender equality policies and the new Community strategy on disability. On the judicial field the Commission recently tabled first ideas how to best achieve an adequate level of legal aid in cross-border cases throughout the Union¹¹. A number of activities relevant to inclusion issues are also carried out in the framework of enterprise policy, in particular in support of small and micro enterprises; part of these initiatives are targeted to specific groups, such as young people and women, or assisting entrepreneurs representing minorities or having disabilities. More directly, the Community programme of distribution of agricultural products to the most deprived provides food aid to around 7 million people in Europe every year; NGOs are the main distribution agents.

The European Commission co-operates closely with NGOs active in the fight against poverty and social exclusion and supports the activities of their European networks. It also supports the activities of the European Business Network to Promote Social Cohesion.

Together with the Member States, the Community also contributes to co-operation at the international level on combating social exclusion and promoting poverty alleviation. This is undertaken with the Council of Europe, with the United Nations and its specialised agencies (especially the International Labour Organisation) and with the Organisation for Economic Co-operation and Development.

5. SUPPORTING MEMBER STATES EFFORTS TO PROMOTE INCLUSION AND PARTICIPATION

Discussions at Community level during the last year have shown the convergent interest of Member States, the European Parliament and the civil society organisations in an initiative for Community support to Member States action in this area, which would be endorsed at the highest level of the Union.

As confirmed at the recent Informal meeting of Social Affairs Ministers¹², there is a strong case for making our economic and social policies more inclusive, and to this end, for mainstreaming social inclusion within the framework of the EU co-operation on employment and social protection. There is also a strong plea for an EU political commitment and for promoting transnational co-operation and appropriate benchmarking mechanisms, building on knowledge, experience and efforts in Member States. The purpose is to encourage open and

¹¹ COM (2000) 51

¹² Lisbon, 10-12 February 2000

flexible forms of co-operation between Member States, not to set up a heavy co-ordination process, while delivering a clear and visible message towards an inclusive Europe. The new provisions of the Amsterdam Treaty pave the way for such a commitment and co-operation at EU level which fully respect the principle of subsidiarity.

The Lisbon Summit could be the appropriate arena to give the necessary impetus in this respect, by initiating the development of common objectives and a common approach at EU level (this is explained in section 1 below). To complement its efforts to mainstream social inclusion in all Community policies, the Commission intends to present proposals for the implementation of the new provisions of the Treaty aimed at supporting co-operation among Member States and other actors on an operational basis, (this is explained in section 2 below).

5.1. Common objectives for social inclusion

In accordance with the Treaty provisions, the role of the Community is to complement and support the initiatives implemented in the Member States, thereby focussing on actions which add real value.

The convergent developments underway in Member States and the lessons drawn from practical experience and action of public authorities as well as civil society organisations make it possible to envisage the development of common objectives and a common approach at EU level for the promotion of social inclusion.

A starting point in this respect would be the affirmation of a political commitment by the Union and Member States and the development of practical co-operation for promoting good practices, common indicators and benchmarking.

The political commitment would be to make the promotion of social inclusion a priority of the Union and of the Member States, and accordingly to assess and mobilise all relevant policies in a comprehensive and integrated strategy.

5.1.1. Objectives

Such a commitment would imply the development of objectives, and possibly targets, at EU level, such as:

- strengthening the pro-active approach to social inclusion which can be developed under EU and Member States policies, and in particular mainstreaming social inclusion within the framework of the EU policies, for example in the co-operation which is being developed on employment and social protection issues;
- agreeing to develop common social exclusion, as well as social inclusion, indicators in order to analyse and monitor trends and policies, e.g. with regard to homelessness, lasting/transient poverty, multiple deprivation and related discrimination issues, including gender issues;
- providing access for all to the Knowledge Society by addressing issues such as Information Society skills and democracy, e-administration, especially public services, freely available public access points, integration within local communities, education and training, linguistic diversity and cultural integration, and inclusion of peripheral areas; and,
- promoting growth and taking advantage of the economic growth expected for the next decade in order to invest in active participation for all with a view to reducing in the long

run the need for and the burden of social transfers: in other words, restructuring public expenditure towards active investment and forward looking adaptation and away from passive transfers.

5.1.2. Common principles and methods

This implies the agreement of Member States to establish or strengthen at national level comprehensive and consistent strategies and to develop, as appropriate, national programmes, framework legislation and/or co-ordination mechanisms for focussed public action. These strategies could be based on the principles which have proved to be effective such as the global approach to integration, the activation of policies, the partnership approach, the participation of all stakeholders etc. (as described in section 3 above).

5.1.3. Areas for strengthening efforts

The commitment could also encompass the agreement of Member States to strengthen their national policies in areas which they identify as being of particular relevance to the national context, for example policies concerning social minima, education and youth, infrastructures to enhance social cohesion, access to services and basic utilities, including child care, health care and access points for information technologies.

5.1.4. Benchmarking and assessment

The Commission would develop with Member States benchmarking and reporting mechanisms to monitor progress made. It would assess, on an annual basis, trends and policies in accordance with indicators established with Member States and identify best practice in order to report to the Council. The results can be inputted to existing policies in order to mainstream inclusion.

5.2. Operational tools under the new provisions of the Amsterdam Treaty

5.2.1. A multi-annual programme of operational support for co-operation

According to Article 137, paragraph 2, last subparagraph of the Treaty, "the Council, in accordance with the procedure referred to in Article 251, may adopt measures designed to encourage co-operation between Member States through initiatives aimed at improving knowledge, developing exchanges of information and best practices, promoting innovative approaches and evaluating experiences in order to combat social exclusion".

The envisaged multi-annual programme to be proposed under this Article would promote, in a practical way, co-operation between the Member States to make their policies more inclusive. It would be a priority for this policy area.

To support the implementation of the above-mentioned commitments, the programme would aim at encouraging and stimulating good practice and policy measures.

The horizontal, integrated nature of social inclusion means that Community action and co-operation must help to develop and strengthen linkages between relevant policies and actors – local, national and Community – with a view to increasing their impact on social inclusion, both at the overall level and concerning specific aspects (situation of the most vulnerable, gender dimensions of exclusion, labour market exclusion, etc.).

The Community added value is achieved through helping Member States efforts, not by contributing directly with additional funds. The programme would use existing human resources and have a limited budget (broadly comparable to that currently available for preparatory actions in this area¹³). It would not co-finance projects on the ground aimed at dealing with social exclusion at local, regional or national level: all its activities would be policy-oriented and would focus on transnational exchanges and would consist of three main strands:

- developing the understanding of social exclusion as well as of social inclusion policy mechanisms, including indicators and methods for tracking success/failure and the costs of social exclusion
- identifying and exchanging good practice in order to enhance capacity for policy making and innovation
- promoting policy dialogue and debate.

Specific attention would be paid, within these strands, to addressing the new forms of exclusion connected with the emerging knowledge society.

Such a programme should also reinforce the integration of the gender dimension of exclusion.

5.2.2. A framework instrument to promote integration of people excluded from the labour market

Co-operation on the integration of people excluded from the labour market is also envisaged under another provision of the Treaty, as amended in Amsterdam. Paragraphs 1, fourth stroke and 2, first subparagraph of new Article 137 provides for the fostering of integration of persons excluded from the labour market, by adopting minimum requirements at Community level.

Combating exclusion from the labour market requires first and foremost synergy between the Employment Strategy, the ESF instruments and the EU process to support the modernisation of social protection systems.

Efforts in this respect can build on the positive outcome of the Recommendation 92/441/EEC of 24 June 1992 concerning a guarantee of resources to live in human dignity. Building on this, consideration could be given to consolidating the emerging principles of making reintegration into the labour market both feasible and attractive for people on minimum income schemes, into a framework of minimum requirements on integration at Community level. The principles underpinning such a framework instrument should be inspired by good practice in Member States. Key principles could therefore be: the need for a comprehensive and integrated approach to social exclusion; the need for partnership as well as co-ordination measures and structures that will ensure this; and pathways to integration which combine income support, active labour market policies and other related support measures, including

¹³ In 2000, 11 M€ under Budget line B3-4105 – "Preparatory measures to combat and prevent exclusion" – plus 3,8 M€ as part of Budget line B3-4101 "Cooperation with Charities"

education, training and the provision of services and assistance needed for improving access to the knowledge society.

ANNEX - STATISTICAL NOTE

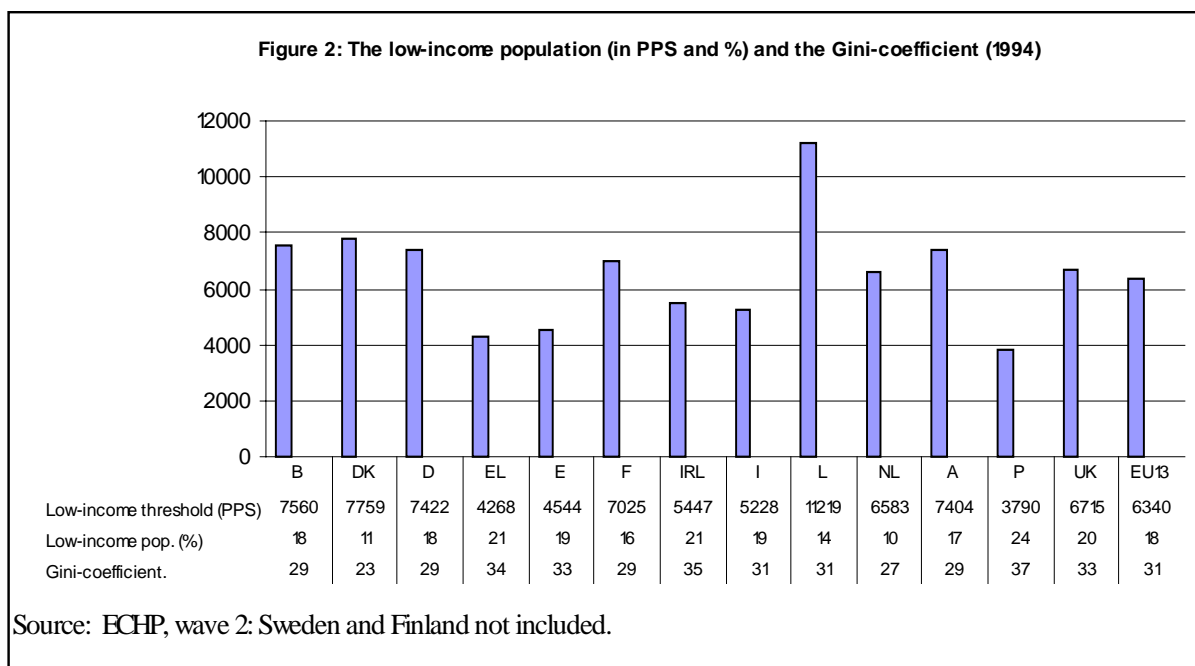
1. MEASURING SOCIAL EXCLUSION AND POVERTY: STATISTICS AND INDICATORS

Following the recommendations of an EU Task Force on Social Exclusion and Poverty Statistics in 1998, EUROSTAT in collaboration with national statistical offices in Member States has stepped up efforts to improve statistical data on social exclusion and income poverty at EU level. Several issues of "Statistics in Focus" have been published since then¹⁴. Several more issues and reports are forthcoming, focusing among others on the dynamics and the multidimensionality of poverty and social exclusion. Unless otherwise indicated the tables and data below have been extracted from these publications.

2. THE EXTENT OF INCOME POVERTY

The figure below shows the percentage of the population under the low-income threshold¹⁵ in each country as well as the monetary value in PPS (Purchasing Power Standards) corresponding to the threshold and the Gini-coefficients. The Gini-coefficients provide an overall indication of disparities in each Member State's income distribution.

The figures indicate that in the EU 18% of the population, or approximately 65 million¹⁶



¹⁴ Statistics in Focus 1998/6 "Low income and low pay in a household context (EU12)"; 1998/11 "Analysis of income distribution in 13 EU Member States"; 1999/13 "Social benefits and their redistributive effect"; 2000/1 "Social exclusion in the EU Member States"

¹⁵ The low-income threshold is set at 60% of the median equivalised income per person in each Member State. The median income is a robust measure as it is not affected by extreme values of the income distribution and less by sampling fluctuations. The median describes the middle part of the distribution and as social exclusion implies distance from the standard income level, it can be seen as a suitable measure. EUROSTAT chooses the 60% cut-off point as a main reference point among more points used in such analysis.

people, live in low-income households. Luxembourg has the highest low-income threshold and 14% of its population live below it. Although Portugal's low-income threshold is only a third of that of Luxembourg, a quarter of the Portuguese population live below it. Apart from these outer positions, the remaining Member States can be ranked in 2 groups. One group (B,DK,D,F,NL,A,UK) with low-income thresholds of around 7000 PPS and low-income populations around the EU average (16-18%), except for DK and NL where disparities in income distributions are smallest and where the low-income population is only about 10%. A second group (EL,E,IRL,I) with low-income thresholds of around 5000 PPS and about 20% of the population living below the threshold.

3. DURATION: OCCASIONAL SPELLS VERSUS LONGER-TERM INCOME POVERTY

The rather stable numbers of the poor generally found in trend studies conceal remarkable processes of mobility in and out of poverty.

Analysis by the OECD¹⁷ of poverty dynamics in four OECD countries, including Germany and the UK, concluded that "Between 20 and just under 40 % of the population is touched by poverty over a six-year period, a much larger portion than would be suggested by the static poverty rates. Within this group, however, the majority have short spells. As spells lengthen, the probability of exit falls such that a small group of the population remains in poverty for long periods of time with, apparently, little chance of exit". It also found that people with six or more years in poverty typically make up 2 to 6 % of the population.

Although reliable figures are scarce, comparative data for a number of European countries (based on a 50% median standardised income) show that in the 1990-1995 period, 82 to 83% of the German and Dutch population never experienced poverty, while in the UK this was the case for only 69% of the population. While most of the poor in Germany and the Netherlands are poor for only a short period of time, poverty seems to be more persistent in the UK where the proportion of persistent poor is 2.5 times higher. The probability of remaining poor after a long poverty spell is also higher (31% compared to 25-26 % in Germany and the Netherlands)¹⁸.

Recent research in France and Germany¹⁹ which looked at long-term dependency on social assistance as a proxy of duration of poverty, confirmed the existence of longer-term poverty. Whilst between a quarter to a third of recipients are usually able to leave the social assistance scheme after 12 months, approximately one in five recipients still depended on the scheme after 5 years in France and 6% in Germany.

¹⁶ The figure of 65 million is an extrapolation and rough indication of the low-income population for the EU-15 based on the 18% low-income population in the EU-13 (370 million x 0.18 = 66.6 million)

¹⁷ Poverty dynamics in four OECD countries, OECD, Paris (1998), Ref ECO/CPE/WP1(98)13

¹⁸ Comparative evidence on the dynamics of poverty in Belgium is reported in Fouarge & Dirven (1995; comparison with the Netherlands and Germany) and Dirven & Fouarge (1998; comparison with the Netherlands). A more detailed survey of the Dutch case can be found in Muffels & Fouarge (1997); cf. Muffels R. and D. Fouarge (1998). Welfare dynamics in three typical welfare states. Paper for the TSER panel working group, June 1998

¹⁹ Sources: France: CNAF (*Caisse Nationale des Allocations Familiales*), Paris, 1999; Germany: "Long-term reciprocity of social assistance in Germany: the eighties versus the nineties", in H-J Andres, Empirical Poverty Research in a Comparative Perspective, Ashgate, 1998

The difficulty which the longer-term poor face to emerge out of their low-income situation has been confirmed as well by recent analysis in the NL²⁰ based on data in the national "Poverty Monitor" reports of 1993 to 1997. It found that in a period of nine years approximately 22% of households experience spells of low income, of which 10% periodically and 30% most of the time or permanently. Furthermore, over a period of four consecutive years the average income of 80% of households with a low income in any one-year is lower than the poverty-income threshold, indicating that periods out of income poverty are not able to compensate for low-income periods. In other words, those who escape poverty do not generally make large gains.

4. THE LINK BETWEEN LOW INCOME, WORK AND PAY

The table below confirms that the risk of poverty is highest among the "unemployed" (nearly 2 out of 3) and the "other economically inactive" (more than 1 out of 2).

However, 12% of persons in employment live in poverty (working poor). The presence of some work in the household is not always sufficient to escape low income. While the risk of low income is highest for individuals in households with no earnings, working households still account for a considerable share of low-income individuals. EUROSTAT has calculated that for the EU as a whole, 53% of low-income individuals live in households with some employment.

One important reason for this is that employees in low-income households are often in low-paid jobs. According to EUROSTAT, some two-thirds of full-time employees living in low-income households in the EU are in low-paid jobs, whereas less than 1 in 6 full-time employees in higher-income households are low paid.

The figures below also highlight that more than half of low-income individuals are either employed (28%) or retired (24%).

| Labour market status of individual | Distribution of low-income individuals % | Poverty rate or risk % |
|--|---|---------------------------|
| Employed but in low income (working poor): | | |
| • employer + family worker + employee | 21 | 11 |
| • self employed | | } 12 |
| | 7 | 16 |
| Unemployed | 13 | 64 |
| Retired | 24 | 23 |
| Other economically inactive | | |

²⁰ Duration of poverty, Evert Pommer in "Oud en nieuw 1999-2000", Sociaal en Cultureel Planbureau, The Hague (2000)

| | | |
|--|-----|----|
| (in education, training or apprenticeship, doing housework, looking after children etc.) | 34 | 55 |
| Total | 100 | |

(Source EUROSTAT, ECHP 1994, EU 13)

5. SOCIAL EXCLUSION AND POVERTY: NEED FOR MULTIDIMENSIONAL, LONGITUDINAL DATA AND INDICATORS

Social exclusion is a multidimensional phenomenon and indicators must be developed accordingly. Social exclusion is more than low income. It is linked to activity status as well as to a number of indicators which relate to an individual's means (e.g. educational attainment, ownership of accommodation or car), perceptions (e.g. having difficulties in making end meet, non-ability to pay for a week's annual holiday) and satisfaction (e.g. being satisfied with one's job, education, health, housing and living environment), all of which are key determinants of people's standard of living and quality of life. Social exclusion and poverty are also a dynamic phenomenon. People's needs and situation change over time (including as a result of policies). Policies will become more inclusive if they succeed in sustaining social inclusion of people over time. That requires a dynamic understanding of their situation. There is a need to strengthen data and analysis which provide both a multidimensional and a dynamic (longitudinal) understanding of social exclusion and poverty. This is an area where co-operation at Community level can be very helpful and is developing. It also underlines the importance of comparable statistical sources, national as well as European (e.g. European Community Household Panel), which make it possible to analyse both these aspects.