

POVERTY, A EUROPEAN BATTLE TO BE FOUGHT *WITH* THE DISADVANTAGED

Sylvie Goulard | *Former chairwoman of the European Parliament Intergroup Fighting Against Poverty, (2010-2017), former French Minister of the Armed Services*

In Europe, the number of deprived people remains much too high. The European Union and Member States, who set a collective goal to decrease poverty levels prior to the crisis, must take up the fight more vigorously. It is an economic and social challenge that also affects competitiveness. A European wake-up call which requires the participation of the poor and excluded in the policies that concern them.

Poverty is a European battle. In 2009, the European Commission adopted the *Europe 2020* strategy aimed at promoting “smart, sustainable and inclusive growth”. Behind the jargon, the intuition is correct: out of the five targets selected, in addition to education and employment, the drive to reduce, over a decade, “the number of Europeans in or at risk of poverty and social exclusion by at least 20 million”¹ is also stated explicitly.

The results of the fight against poverty and exclusion remain insufficient, in particular when considering the human distress behind the statistics. According to Eurostat², in seventeen EU Member States, halfway through the *Europe 2020* strategy, the number of persons at risk of poverty and exclusion had risen rather than fallen. It still accounted for almost 25% of the population on average in 2016. Unqualified young people and women are particularly vulnerable.

When the European Union (EU) advocates reforms with a view to boosting training and innovation, modernising the labour market and controlling public spending, the aim is to achieve sustainable growth which creates jobs. It would be a caricature to reduce its action to “austerity measures” which the inconsistency of national governments and the failure of markets have often made inescapable. It would be too simplistic to blame “Europe” alone for the rise in inequality and poverty. As noted by the Banque de France, growth has been higher in Spain, the Netherlands and in Germany, all countries which have rolled out structural reforms, than in France and in Italy³ where reform has been more limited. The widely varying poverty rates in these countries demonstrate, however, that growth is not sufficient in itself. The right

combination of European and national policies on macro-economic and social issues is the best way forward.

After ten years of crisis, it is time for a wake-up call. The proclamation of the European Pillar of Social Rights, on 17 November 2017, in Gothenburg (Sweden) is indicative of a sense of collective awareness. Around twenty principles were set forth, concerning equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. The right to education and career guidance, the right to unemployment benefits and access to essential services are also acknowledged. Once again, European governments have demonstrated their good intentions, but will they be followed by concrete actions?

Combatting poverty requires us to question the meaning of European integration: what kind of society do we wish to build together? In 2017, how is it possible to achieve the balance, dear to Jacques Delors, between “competition that stimulates, cooperation that strengthens, and solidarity that unites”? Without competition, there is no future in the global push in which technological advances are gaining pace. Without compliance with common rules, there is no teamwork. Yet without concerning itself with human dignity, Europe loses its soul.

Following a brief overview of inequality and poverty (I), we will ask the sensitive question of the appropriate level of public action: the EU, a champion of equality? Member States, in favour of subsidiarity, running the risk of perpetuating unanimity on tax issues, which curbs redistribution? Lastly, we will consider the method selected to combat poverty (III), policies which must be designed *with* the disadvantaged.

1. European Commission, *Europe 2020 Strategy*

2. Eurostat, report “Smarter, greener, more inclusive - indicators to support the Europe 2020 strategy”, 2016

3. Introductory letter to the 2016 Annual Report of the Banque de France, Chart 6b

1. The fight against poverty: a current and future challenge

To give all citizens a renewed desire for Europe, it would suffice to reaffirm the solidarity principles of the aptly named “Community” of 1957, and to breathe life into them, in particular the drive to “improve Europeans’ living and working conditions”. For several decades, the countries in what was then the EEC recorded high levels of growth and inequality was on the decline. In the 1980s, the situation worsened. According to the Banque de France, “the benefits of growth have been far too unevenly distributed, (...) the real income gap has significantly widened in the OECD countries, in particular Anglo-Saxon countries”⁴. The very recent report on global inequality, compiled by around one hundred economists, shows that Europe,

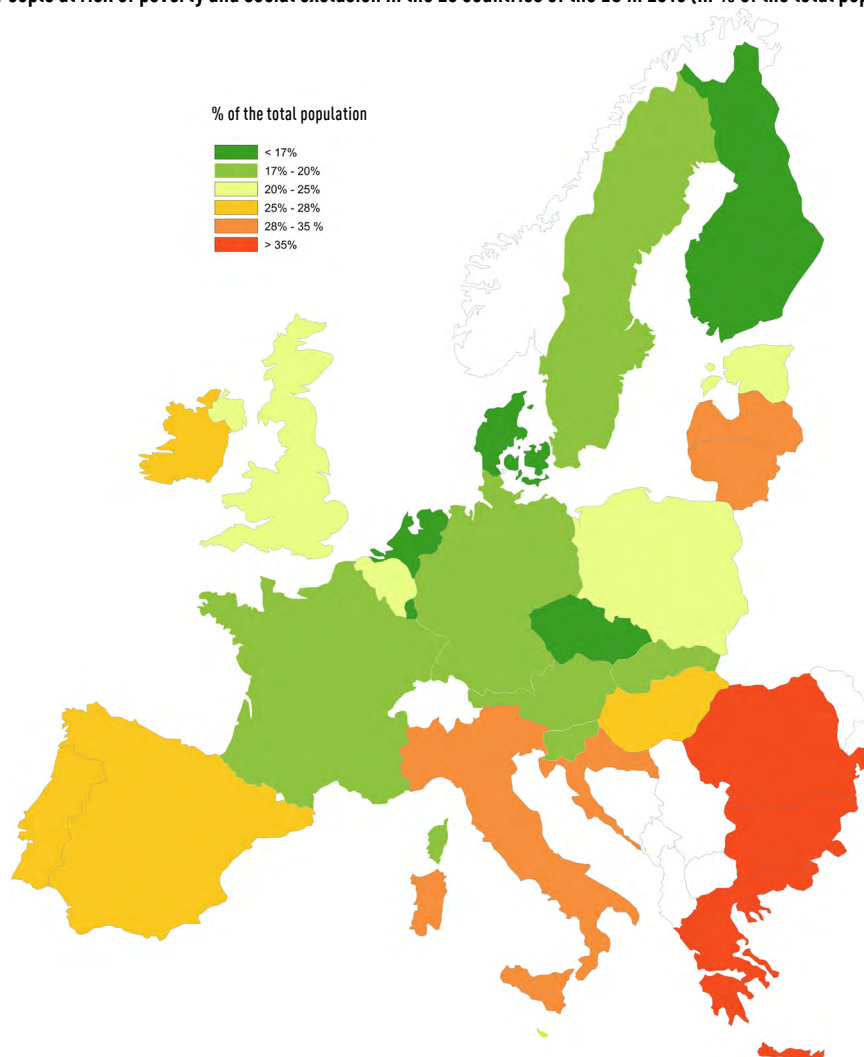
in comparison with other regions of the world, is still able to mitigate the income gap through its systems of redistribution and more progressive taxation. This has not, however, prevented inequality from increasing slightly on our continent since 1970 in a way that varies according to country - and the reforms rolled out.

The adoption of the *Europe 2020* strategy resulted in the refining of relevant statistical indicators. In the EU, poverty and social exclusion are now estimated according to several criteria:

- Income lower than 60% of the national median,
- Material deprivation (such as the inability to pay rent and utility bills, to keep a home adequately warm, to pay unexpected expenses, to have a means of transportation or a telephone),
- Very low work intensity.

4. Ibid, Chart 2b

TABLE 1 ► People at risk of poverty and social exclusion in the 28 countries of the EU in 2016 (in % of the total population)



Source: Eurostat

Disadvantaged persons are prevented from taking part in society due to insufficient income, but also due to their gradual exclusion and the exhausting battle they must wage just to “make ends meet”.

In future, social cohesion will be even more under threat due to demographic and technological developments. The retraining of millions of people who used to conduct repetitive and often strenuous tasks is a positive opportunity if they are able to maintain a place within society. This requires support and training so that they can better integrate into the labour market and share the productivity gains. As it stands, it is difficult to assess the impact, but the upheaval is profound, swift and unprecedented⁵. What will be the effects of robotics and artificial intelligence? Which manual and also intellectual tasks are destined to disappear or evolve and what will new jobs entail?

This raises the question of what the European Union can do against this backdrop.

2. What is the EU's role in this fight?

If the EU is not taking a leading role in the fight against poverty and exclusion, it is because it has never received the competences to tackle these issues. It can not be criticized for not doing what the Member states have never wanted it to do...

It is appropriate to recall that the EU acts in accordance with the principles of conferral and subsidiarity. It exercises the authority entrusted to it *ex ante* by the Member States, with subsidiarity where deemed appropriate: to favour, when possible, local action rather than delegating it to a distant and impersonal body, to empower each level of governance.

Yet the cost of this choice is that the EU finds itself rather powerless on social issues. The EU treaty makes a distinction between the few areas in which the Union has exclusive authority (currency, competition and international trade in particular) and for the most part shared competencies or coordination. Social matters come under the latter category, and their distribution is limited in ways that have been brought into sharper focus.

The first limit is that some European decisions, for example concerning the single currency, reduce the

scope for national action. In theory, Member States retain the authority to conduct national social and tax policies but must operate under collective restrictions, particularly when there is a crisis. This is the origin of the impression, which is not entirely false, that the EU lacks interest in Europeans, that it provides more restrictions than it does solidarity, which further fuels doubts on its added value. If the EU leaves countries to tackle the huge challenge of rising inequality independently, it is not surprising that the most underprivileged citizens lose their faith in the Union.

A second limit concerns the ongoing differences in decision-making procedures, depending on the area. With the majority vote, deadlock may be overcome. This is how the **EU was able to enact legislation guaranteeing access to a basic bank account for all citizens in Europe, irrespective of their financial situation**. On the other hand, the deadlock resulting from votes requiring unanimity influences fiscal policy, encouraging widespread optimisation practices. Some Member States have in such a manner misappropriated the resources intended to replenish the budget in neighbouring countries. The ability of such States to redistribute income has been weakened and disrupted. However, these States, which are often peripheral and small in size, have attracted foreign multinationals through highly favourable tax rulings, only because they offer access to the single market. Put plainly, these States have prospered to the detriment of their European partners. There has been (some) change, however. Such abuse has, for example, urged the Commissioner for Competition, Margrethe Vestager, to resist these practices by tracing State aid (which is very much defined and governed by the European treaty) awarded to recipient companies. The American company Apple was sentenced to repay €13 billion to the Irish government⁶.

In the Eurozone contingency plans, it has proved easier to cut public spending on “captive” categories (the working poor and savers in Greece for example) rather than forcing Athens to roll out fairer tax policies, combatting tax evasion and fraud. Once again, when the European Parliament attempted to redress the balance (in the “Two-pack” talks), governments remained attached to their fiscal sovereignty and voiced their opposition.

The need for a common consolidated corporate tax base is nothing new. It is part of the approach of the single

5. See for example the report by the McKinsey Global Institute, *A future that works: Automation, Employment, and Productivity*, January 2017

6. This amount has not yet been recovered by the recalcitrant Irish government. See http://europa.eu/rapid/press-release_IP-17-3702_en.htm

market, and has already been voted by the European Parliament. Let us hope that the recent efforts of the Commission, under pressure from the OECD and investigative reporters (Luxleaks, Panama papers, Paradise papers, etc.), will not have been in vain.

Lastly, the third limit is a more philosophical question which is often overlooked. The priority given to the principle of subsidiarity pushes into the background the requirement of equality between the citizens, which has been particularly dear to the French since the Revolution. In France, it is in theory unthinkable that educational curricula, benefits and salaries could differ across the country. Even though the reality is much harsher, when considering clear cases of inequality in schools or the differences between men and women, the tradition is different to that in federal states, which are more comfortable with the diversity inherent to subsidiarity.

When Germany attacked the Fund for European Aid to the Most Deprived (FEAD)⁷, a legacy of agricultural surpluses, it cited subsidiarity, thus further accentuating disparities. The Court of Justice of the European Union ruled in its favour, a fact which has not prevented the programme from being continued until at least 2020, by linking it to other budget lines. In France (and in Southern Europe), the consecutive withdrawal of aid to non-profit charities, right in the middle of the crisis, was perceived as prejudicial to equality. Dialogue of the deaf ensued, although all countries signed the same treaties and claim to share the same values. In order to avoid such misunderstandings, the tension between subsidiarity and equality should be debated more openly.

In the Eurozone at least, the question of a balance between the necessary subsidiarity and just as necessary equality between citizens is worth raising in less ideological terms than has been the case in recent years. Worker mobility, for example, is one of the key features of an optimal monetary area. Should the EU promote such mobility, on the basis of its authority in monetary policy? **The Eurozone could create an initiative of widespread training for workers, which would benefit unemployed young people facing poverty likely to find work in a Member State seeking manpower.**

Similarly, digital commerce can stop the isolation of small-scale producers scattered in underprivileged areas and contribute to social cohesion, without excessive public spending. Convergence was one of the

promises – which was not kept – of the single currency. It is high time to remember this and come up with new policies, supported by existing areas of authority which are used too narrowly today.

3. A new method to move forward

In this digital era, the frequently used word “empowerment” is characteristic of one of the strongest aspirations of deprived people, which is to be acknowledged as citizens in their own right, able to find a way through their struggles. This is why it is important to change tack in the fight against poverty, and to include those at whom these policies are aimed.

The wonderful intuition of Father Joseph Wresinski, founder of ATD Fourth World, joins the more specialised work that researchers Esther Duflo and Abhijit Banerjee have conducted across the globe, from their MIT economics laboratory⁸: policies aimed at combating poverty are infinitely more effective when they are designed together with those they strive to help.

The difficulty lies in the fact that, to achieve this, mentalities must be changed and some long-standing stereotypes broken down. For example, poor people are not willingly welfare recipients; very often the opposite is true. As they are poorly informed of their rights, they do not receive the benefits they are entitled to receive. They strive, however, to change their lives and have a **wealth of experience** which often equals that of the best graduates⁹. The gap between them and decision-makers must be closed.

The European Parliament Intergroup Fighting Against Poverty, assisted in particular by ATD Fourth World, organises all its events together with persons living or having lived in poverty. Following prior preparation, often including civil servants from various institutions who volunteer their time, these people were given a voice, in small groups, in closed sessions, with top-level leaders, especially each year on the International Day for the Eradication of Poverty in mid-October¹⁰. Broader events, forums or the “Fourth World People’s Universities” meetings were also organised within the European Parliament, bringing together deprived people from several European Member States. The 13th Fourth World People’s Universities meeting, in March 2014, resulted in the drafting of fourteen concrete proposals for an inclusive Europe¹¹.

7. The FEAD is a European programme which supports the actions conducted by EU Member States to provide material assistance (food, clothing and other basic items) to the most deprived and to accompany national social integration measures.

8. Esther Duflo and Abhijit Banerjee, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, PublicAffairs, 2011

9. Claire Hédon, Jean-Christophe Sarrot, Marie-France Zimmer, *En finir avec les idées fausses sur les pauvres et la pauvreté*, Éditions Quart Monde / Éditions de l’Atelier, 2016 (in French)

10. Benoit Coeuré, member of the ECB Executive Board, Mario Monti, former Italian Prime Minister, Valdis Dombrovskis, Vice-President of the European Commission, Emmanuel Macron prior to becoming French President

11. ATD Quart Monde, *14 propositions pour une Europe sans exclusion*, 2014 (in French)

Often hampered by habits, the European Commission – and Member States – struggle to acknowledge and further these innovative initiatives. However, experience is always striking: it is one thing to know the statistics (“more than one hundred million poor people in the EU”), and quite another to talk to a family whose children have been taken into care because they do not have a roof over their heads. It is one thing to argue the motivations behind Brexit, and yet another to speak with a sociologist who grew up on an underprivileged estate in England¹². Direct exchanges are invaluable. This is why political leaders and civil servants at all levels (EU, national and local) stand to win from regular contact with deprived people before they draft their legislation or design social measures. This type of exercise would also have the advantage of affording the citizens concerned a better understanding of the complex nature of law and budget restrictions. They would thereby be better equipped to resist the propaganda of parties which instrumentalise their plight to win power on the basis of false promises.

Lastly, one of the virtues of European cooperation is **the extended scope of best practices**. Our diversity is an opportunity. From the Finnish “Housing First” experiment, which provides shelter to homeless people prior to any social intervention, to the great variety of initiatives created across Europe to welcome migrants and the non-monetary skills exchange networks (such as the

French Réseau des Accorderies, an idea which came from Quebec), there are countless positive experiences.

Instead of looking at detainees, people in council housing and the homeless as “social problems”, we can change our society and the general perception in Europe by considering them in all simplicity as European citizens in their own right, who express respectable fears and desires, are creative and who are **able to contribute to the definition of public policy**. All too often, meetings organised to discuss Europe only concern a limited audience, which already has ample information and which is restricted to usual suspects. If endorsed at different levels, the experience of the European Parliament Intergroup, however small, may be a way of seeing a new avenue for democratic debate.

The French President, Emmanuel Macron, launched the idea of “democratic conventions” to rebuild the EU. **The challenge facing these town halls, aimed at collecting citizens’ aspirations for Europe, will also be to open up to populations on the margins of society, the poor and the excluded**. If this challenge is attempted, we can be confident about the success of the approach because the most extraordinary moments in the meetings held in Brussels are often during breaks, with no interpreters present. Not only do participants understand each other but their messages are concrete and useful. In the room, something which is all too often missing from meetings on Europe could be felt: human warmth.

12. Lisa McKenzie, *Getting by, Estates, class and culture in austerity Britain*, Policy Press 2015

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