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*Sümeýra Akarçeşme, Ane Aranguiz, Anna Lemmens
and Bea Cantillon*

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Reaching the European 2030 poverty target: The imperative for balancing the EU Social Agenda

Sümeýra Akarçeşme^{1*}, Ane Aranguiz², Anna Lemmens³ and Bea Cantillon¹

¹ Herman Deleeck Centre for Social Policy, University of Antwerp (Belgium)

² Tilburg University (Netherlands)

³ LUISS University (Italy)

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Abstract

Reaching the three targets of the European Pillar of Social Rights (EPSR) Action Plan is the litmus test for effective EPSR implementation. While the EPSR puts forward a prima facie balance between employment, equal opportunities and social protection, two important questions arise: 1) whether and to what extent the available resources at EU level are sufficiently balanced across the different dimensions of the EPSR and 2) which implications this may have for achieving the 2030 poverty target. Analysing the three domains of the EPSR, its Action Plan and the wider EU legal framework of the principles in the EPSR, the paper argues that abundant EU resources are available for the areas of equality and employment while this is less the case for social inclusion. The empirical evidence on poverty trends over the past decades, however, points to important successes in terms of employment and (gender) equality, but not in terms of social inclusion: a significant increase in employment and defeminization of poverty were accompanied by a marked precarisation of low-skilled men and women. Particularly striking is the rise in the risk of poverty among jobless households linked with the weakening of the poverty-reducing capacity of social protection for this group. Meeting the European social inclusion targets will thus require policies that duly focus on strengthening the framework for social inclusion and social protection.

* **Corresponding author:** Sümeýra Akarçeşme, sumeyra.akarcesme@uantwerpen.be

1. Introduction

The question of where the EU strikes the balance between the social and the market policy domains has become an increasingly contested issue (Barnard, 2014; Garben, 2017; F. W. Scharpf, 2010). Within this context, the proclamation of the European Pillar of Social Rights (EPSR) arguably represents the most encompassing attempt to raise the profile of social policy at the EU level in two decades (Plomien, 2018). As the European Commission's flagship social initiative, the EPSR aims to strengthen the social *acquis* of the EU and foster social convergence towards better working and living conditions. Reaching the goals of the Action Plan accompanying the EPSR to be met by 2030, —namely (i) to reach an employment rate of at least 78%, (ii) to have at least 60 % of adults attending training courses every year, (iii) to lift 15 million people out at risk of poverty or social exclusion— is the litmus test for the success of the EPSR.

Marked by conceptual, political and constitutional debates, the relationship between the EU and social policy has been complex. The designers of European integration, primarily driven by economic considerations, hoped that market integration would bring social progress and increases in living standards (ILO, 1956). In stark contrast to the competences of the internal market, a decision was made to transfer as little as possible of the social policy competence to the supranational level, thereby establishing Member States as responsible for the most characteristic social welfare policies of redistributive nature. The involvement of the EU in terms of social policies mainly pertained to dimensions that have an impact on the functioning of the single market, namely in the realm of employment where measures ought to encourage market participation or reduce distortions in competition. These include, for example, measures on business restructuring, minimum requirements for health and safety, equality at the workplace or the use of atypical (temporary and part-time) contracts.

Albeit the social dimension of the EU was able to evolve over time, the initial framing of social policy as a by-product of economic integration had long-lasting effects in that it created the foundations of two asymmetries between “the social” and “the market” at the EU whose negative consequences were very much brought to the surface by the financial crisis: For one a constitutional asymmetry between policy fields favouring market efficiencies and those favouring social protection and equality. This is because national welfare states are legally and economically constrained by European rules of economic integration, liberalisation, and competition law, while attempts to adopt European social policies are politically impeded by the diversity of national welfare states, which vary not only in their level of economic development and hence their ability to implement European social policies, but also in their approach to social protection and equality (Fritz W. Scharpf, 2002). This asymmetry is not only visible between policy fields but also within the field of social policy. In this regard, we find that fields closely related to employment such as equal pay, worker's information or working conditions allow for the adoption of harmonising minimum standards through the ordinary procedures. On the other hand, fields on social security, social protection and social inclusion either require a unanimous adoption at the Council, or exclude the possibility of adopting binding measures altogether (See Art. 153 TFEU, Becker, 2015).

The existing imbalances have been aggravated by a paradoxical situation where there is, on the one hand, a recognised need for EU-level social policy, but on the other hand, there are protective inclinations of member states towards not wanting to give up their sovereignty (Becker, 2015; Lamping, 2010; Puetter, 2015). This has led to a fragmented and inadequate legal framework that, as argued by many, is partially subordinated to the market. While the EPSR will not and cannot address these constitutional imbalances and it is important to understand that it is exactly these tensions against which the initiative is launched (Garben, 2019), it is also imperative to research where the EPSR is situated against these imbalances.

The purpose of our contribution is to contribute to the literature on the imbalances between “the social” and “the market” by analysing whether the EPSR and its implementation depart from this asymmetry. Concretely, we challenge the *prima facie* EPSR’s content-balance distribution between employment and equal opportunity rights —having a marked market rationale— on the one hand and poverty reduction and social protection on the other. We do so by contrasting the body of law that exists or is being proposed in different areas of EU social policy against the empirical poverty trends. In this exercise, we put into question whether the current approach to social policy in the EU is capable of significantly contributing to the poverty target of the Action Plan or whether on the contrary, this goal —much like its predecessors— will be shadowed by the more economically appealing targets.

The paper first outlines a brief history of the EU social acquis and explores the main features and novelties of the EPSR. The third section discusses the key differences that exists between the access to employments, equality of opportunities and social inclusion fields of social policy. Section 4 focuses on empirical trends: how did the at risk of poverty and social exclusion rate (AROPE) evolve and how were these trends related to the evolution of employment and (gender) equality? Section 5 brings the pieces together and advocates for the need for better-balanced resources. Section 6 concludes.

2. EU social acquis and the EPSR

Limited as the legal mandate of the EU in social policy may be, the social objectives of the EU feature prominently in all three instruments of primary law consisting of the Treaty on European Union (TEU, see Article 2 and 3), the Treaty of the European Union (TFEU, articles 9 and 151) and the Charter of Fundamental Rights (EU Charter, see articles 1 and 34). This social mandate which is the result of a long and gradual development, is anchored in a complex regulatory framework (Plomien, 2018) and has progressively been elaborated on a body of secondary law (mostly in the form of directives) the interpretations of the Court of Justice of the EU (CJEU), non-binding measures such as recommendations and, to a limited extent, the redistribution of funds such as the European Social Fund (Hermans, Greiss, Heleen, & Cantillon, 2021).

As mentioned earlier, the EU social acquis initially evolved to complete the Single European Market. The Treaty of Rome (1957) establishing the European Economic Community regarded Social Policy as a by-product of economic integration. Its marginal references to social objectives were strongly motivated by fair competition among employers and prevent social dumping. This included provisions on equal pay for equally work between men and women (article 119 TEEC) and provisions on free movement of workers, including equal treatment at the workplace and social security coordination (article 51 TEEC), which aimed to facilitate the cross-border mobility.

With the Maastricht Treaty (1992), there was a proposal to expand the competences on social policy, but after finding no consensus, the Member States (all but the UK) signed a Social Policy Protocol which included an Agreement on Social Policy in its annex. This Protocol promised to promote the 1989 Charter of Fundamental Rights of Workers, gave the social partners an important role in EU decision making and extended the competences in the field of labour law. In 1997, with a change of government in the UK, the Protocol was implemented in the Treaty of Amsterdam, which also enhanced the Union’s capacity to act in the areas of employment and discrimination. (MacRae & Wood, 2018)

This was then followed by the Lisbon Strategy which, launched in 2000, pursued an employment centred approach to poverty eradication. It was characterised by a loose and flexible policy approach, the so called “Open Method of Coordination”. The OMC is a collaborative process that EU Member States engage in voluntarily. Its main focus is on the exchange of policies and the establishment of commonly acknowledged indicators and benchmarks with the ultimate objective of promoting upward convergence. The responsibility for this procedure generally lies with the Member States, while the

European Commission's role is primarily one of coordination. Inherent to the Lisbon strategy was the notion of "social investment". This concept emphasised the understanding of Social Policy as a form of investment, with the primary objective of preventing social risks rather than remedying them, particularly through the sustained development of human capital, early childhood development, lifelong learning, education, training, and policies promoting family reconciliation.

Subsequently, the Lisbon Treaty as it came into force in 2009 extended the EU's social dimension in scope and objectives. The Treaty conferred the status of primary law to the Charter of Fundamental Rights, and, quite innovatively, installed the so-called horizontal social clause (Article 9 TFEU), which mandated that all EU policies and activities align with the overarching objectives of promoting high employment, guaranteeing adequate social protection, fostering social inclusion, and facilitating high levels of education, training, and health. The Europe 2020 Strategy then renewed the underlying approach of its predecessor, the Lisbon Strategy, and introduced, for the first time, a quantifiable headline target to lift at least 20 million people out of at risk of poverty and social inclusion by 2020. However, these strategies have largely failed to deliver on their promise to combat poverty (Bea Cantillon, Goedemé, & Hills, 2019; Bea Cantillon & Vandenbroucke, 2014).

The EPSR, proclaimed in November 2017, constitutes the European Commission's most recent overarching social initiative. It sets out a set of 20 principles and rights in the areas of "equal opportunities and access to the labour market", "fair working conditions" and "social protection and inclusion". By building on the rich yet complex EU social acquis, the implementation of the EPSR employs the entire arsenal of EU Governance (Garben, 2019). To further aid in its implementation, the EPSR is accompanied by a Social Scoreboard which sets out a number of indicators to measure member states' progress in relation to the principles and an Action Plan that sets out a series of chronologically laid out steps to aid in turning the principles into reality. While not legally binding, the EPSR draws on this already existing acquis which makes most of its rights and principles binding by virtue of other measures.

A priori, the proclamation of the EPSR marks a potentially important threefold paradigmatic shift, especially in relation to social rights in the EU: First of all, by defining concrete principles and social rights it moves the social inclusion agenda from 'outcome governance' built around rather abstract social goals (such as the 'eradication of poverty') to a degree of 'input governance' through legislation and funding (Vandenbroucke, Cantillon, Van Mechelen, Goedemé, & Van Lancker, 2013) of which the Directive on Minimum Wages is a strong example. Secondly, by explicitly referring to ESF+ and Next Generation EU it offers financial incentives as a lever of social convergence (Hermans et al., 2021). Thirdly, it broadens the traditional focus on employment and social investment by putting forward a *prima facie* balance between (quality of) employment and equal opportunities on the one hand, and social protection on the other. In this sense, the 20 principles of the EPSR are well distributed across the categories of 'Equal opportunities and access to the labour market' (6), 'Fair working conditions' (4) and 'Social protection and inclusion' (10) (Rasnaca, 2017). It can even be argued that the balance is tipped against the 'social' with half of the principles being contained in the latter chapter. To what extent, however, are EU resources in those fields actually balanced, considering both past and future efforts? The next section discusses this point.

3. Social Inclusion, Equality and Employment in the EPSR, its Action Plan and the EU social law

Although the EPSR seems to offer a balance between different social policy interests, the implementation of the principles therein largely depends on existing resources and dedicated efforts to its implementation. Regarding the latter, in the Action Plan the Commission proposed an ambitious timeline (2021-2025), which is filled with wide-ranging initiatives that target virtually all principles of the EPSR. These are presented under five thematic areas: More and better jobs, skills and equality, social protection and inclusion, civil society involvement, and the new Social Scoreboard. The first three are distinctively linked to the three headline targets whereas the latter two signify overarching initiatives necessary for ensuring a democratic change and a proper evaluation of the implementation of the EPSR. In the first and second thematic teams which largely correspond to the first two chapters of the EPSR, we find wide-ranging actions such as directives,^{1,2} recommendations,³ several legislative proposals,⁴ evaluations, reviews and strategies.⁵ In the third strand regarding social inclusion and protection, instead, initiatives refer to a Recommendation on adequate minimum income schemes, the EU strategy on the rights of the Child, a Council Recommendation establishing the European Child Guarantee,⁶ a European Platform on Combating Homelessness and an affordable housing initiative. To make social protection fit for modern times, the Commission also plans to propose a European Social Security Pass.

Taken together, the Action Plan sets an elaborate timeline with measurable targets and clearly scheduled initiatives. Probably its strongest asset lies in the sum of all these efforts combined and the hybrid format they are presented as composed of initiatives that range from hard-law regulatory proposals to strategies and platforms or openly formulated initiatives. Jointly, these could contribute to building the necessary social pillar in the EU that complements its economic and fiscal arms. However, although the Action Plan promises to ‘leave no one behind’, and although the EPSR brings about a broadening of the hitherto employment-centred European social agenda, offering an apparent balance between its different dimensions, *the implementation of social rights remains unequal*. On the one hand, there is, so distinctive from the EU social investment approach to social rights, a strong focus on employment, active labour market policies, equal opportunities and (gender) equality. Regarding fair working conditions, many novel or substantially updated legislative initiatives were launched, for instance relating to work-life balance and minimum wage. In the area of social protection and inclusion, however, although multiple principles highlight the importance of well-functioning, accessible and adequate social protection systems, initiatives rely solely on soft law. The fact that within the frame of the EPSR a legally binding directive was issued on minimum wages while the guarantee of adequate

¹ Directive (EU) 2019/1158 on work–life balance for parents and carers[2019] OJ L 188

² Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union PE/28/2022/REV/1

³ Commission, ‘Recommendation for Effective Support to Employment (EASE) following the Covid-19 crisis, C(2021) 1372 final

⁴ Commission, ‘Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on adequate minimum wages in the European Union’ COM/2020/682 final; Commission, Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on improving working conditions in platform work’ COM/2021/762 final; Commission, ‘Inception impact assessment’, Ares(2021)102652; Commission, ‘Artificial Intelligence Act’ COM(2021) 206 final; Commission, ‘First phase consultation of the social partners under Article 154 of the Treaty on the Functioning of the European Union, on the protection of workers from risks related to exposure to chemical agents at work and to asbestos at work’ C(2020) 8944 final

⁵ European Parliament resolution of 21 January 2021 with recommendations to the Commission on the right to disconnect (2019/2181(INL)); A report on the Working-Time Directive and a first evaluation of the European Labour Authority.

⁶ Commission, ‘Proposal for a Council Recommendation Establishing a European Child Guarantee’ COM (2021) 137

minimum incomes for jobless households was only the subject of a recommendation is particularly striking in this regard, especially considering the poverty goal and the limited social competences of the EU in the field of wages (Aranguiz, 2022). While the relationship between low wages and poverty is rather weak (Marx, Marchal, & Nolan, 2013), minimum wages have been found to act as a glass ceiling over the adequacy of minimum income protections (Bea Cantillon, Parolin, & Collado, 2020).

There is also a clear imbalance in the body of law preceding the EPSR. One of the explanatory documents of the EPSR makes this rather clear.⁷ This staff working document, outlined the existing resources in the EU for each of the 20 principles in the EPSR. Although each principle shows that dedicated actions had already been taken prior to the EPSR in all areas, a closer look shows that most minimum standards in the form of directives are contained in the areas of (gender) equality, worker's information and working conditions. These instruments provide concrete obligations for the Member States and rights to individuals in the form of minimum standards. By contrast, only a few hard law instruments can be found in the entirety of the social inclusion chapter, and these are exclusively linked to labour mobility, migration or competition. For example, Regulation 883/2004 on social security coordination appears as 'existing EU law' to several of the social inclusion principles, while the principles of healthcare and access to services, similarly, refer to directives on market cooperation of healthcare interest (Directive 2011/24) and the liberalization of services for increased competition (Directive 2002/22) respectively. All of these aim at improving competition or reducing possible distortions of it. With the notorious exception of equal treatment provisions (Directive 2000/78) and housing for victims of crimes (Directive 2012/29), none of the 'existing EU measures' on the 10 principles in the third chapter of the EPSR provide individuals concrete rights. Moreover, none of these obligations mandate Member States to ensure that their safety nets need to be adequate.

As explained above, part of this imbalance is rooted in the limited competences of the EU in social inclusion, where we find that certain fields, like social protection of the combating of exclusion either require unanimity or do not allow for binding instruments altogether (156 and 153(j) and (k) TFEU). This being said, it is still possible, within the existing competences to formulate binding instruments, as it is the case for a minimum income directive (Van Lancker et al, 2020). Yet, and despite the failures of soft law approaches in the past, the Commission presented only a recommendation. While this approach does align with the principle of subsidiarity, recognizing that Member States are often better positioned for action in these specific areas, it has been criticized due to perceived deficiencies, such as its limited progress in tackling social issues (Borrás & Radaelli, 2010) and concerns over its democratic legitimacy (Garben, 2019).

Taken as a whole there is thus a striking *imbalance* between the resources deployed in the domains of social inclusion on the one hand, and the areas of equality and fair working conditions on the other. The vast majority of instruments regarding social inclusion and protection follow a soft-law approach, with very few resources to back these up and claim compliance. The exceptions we find to this general rule relate to areas that only regulate social inclusion more indirectly and where the combating of social exclusion is not the primary objective. As soft-law instruments, they are capable of triggering changes at the national level, but pressure on governments remains weak while without further (national) action, individuals cannot rely on them directly to gain access to a certain benefit.

Considering this, one wonders whether the more labour inclusion active approach focused on equality, access to employment and better working conditions is capable of contributing to the poverty goal. To this end, the next section looks empirically at the poverty trends of the last decade.

⁷ Commission., 'Monitoring the implementation of the European Pillar of Social Rights' COM (2018) 67

4. Social outcomes: social inclusion, gender equality and employment

Without suggesting direct causal links we now move from EU resources to outcomes. Social rights can only be materialised through social and economic policies (outputs): through social protection, labour regulation, social investment, etc. It is not the point of this paper to discuss the potential impact of individual EU resources on policies, let alone to identify causal chains between EU resources on the one hand and social outcomes such as poverty reduction, employment and gender equality on the other hand. Instead, we aim to study whether the current approach that focuses more on employment and (gender) equality than on social inclusion is, *in principle*, capable to significantly contribute to the achievement of the headline poverty target. More specifically, we address the question to what extent progression on employment and gender equality, while important goals in themselves, is instrumental for delivering on the 2030 poverty and social inclusion target.

The work and poverty nexus has been a major research theme since the 1990s. Corluy and Vandenbroucke (2014) and Cantillon et al. (2019) who analysed the relationship between employment and poverty trends in the Lisbon era and beyond pointed to the unequal distribution of jobs among households and the reduction of the poverty alleviating capacity of social protection as main reasons for disappointing poverty trends despite employment growth. Gabos et al. (2019), extending this analysis to the post-crisis period up to 2017, found that while the negative relationship between employment and poverty trends holds also for the post-crisis period, the main difference underlying the dynamics between employment growth and disappointing poverty trends in the pre-and post-crisis years might be ascribed to the differential mechanisms by which jobless households were impacted during these periods. They argued that in the recovery period the main driver of the disappointing poverty trends despite job growth, contrary to the pre-crisis years, was mainly due the decrease of poverty reduction of social transfers. The question, however, is how this should be interpreted. After all, when pre-transfer poverty decreases, as in periods of recovery and rising employment, we expect the poverty reducing function of social protection to decrease, as an endogenous mechanism.

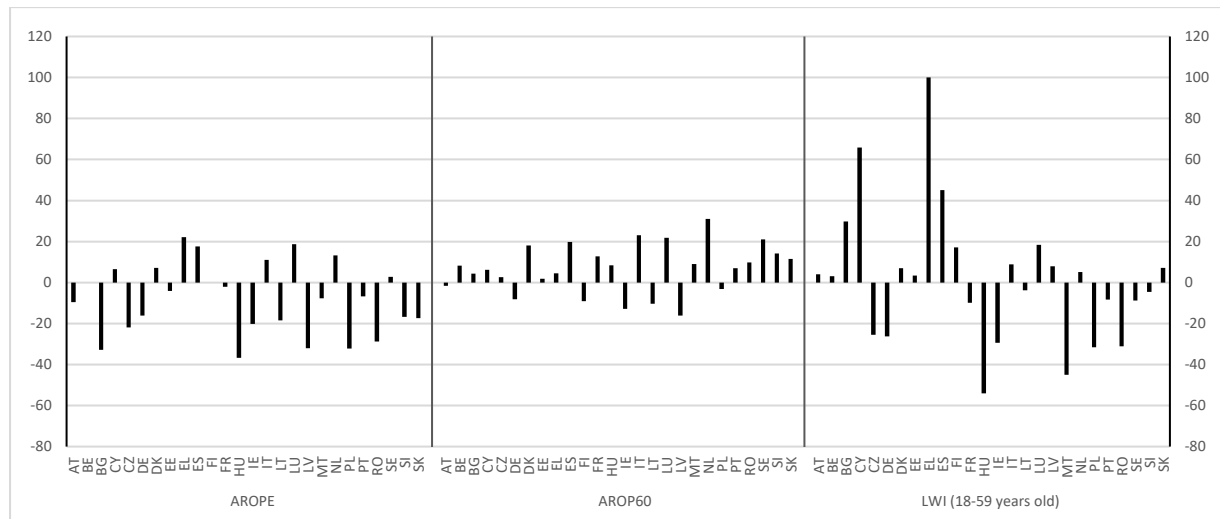
To address the question of the extent to which progression on employment and gender equality, while important goals in and of themselves, is instrumental for delivering on the 2030 poverty and social inclusion target, in the subsequent section we delve into the analysis of employment and poverty trends across Europe, integrate the gender dimension -which is one of the most developed aspects of equality in the EU and where a significant number of EPSR legal initiatives focus - to our analysis and study the role of the decreasing poverty reducing capacity of social protection controlling for endogenous mechanisms. For this analysis, we focus on the time period between the financial crisis in 2008 and the health crisis in 2019, the year which also serves as the benchmark for assessing progress toward the social targets set for 2030.

4.1 Disappointing poverty trends among the active age population

We focus on the third target of the EPSR Action Plan for the EU, namely, the reduction of the number of people at risk of poverty and social exclusion by at least 15 million. The number of people at risk of poverty and social exclusion (AROE) corresponds to the sum of persons who are either at risk of poverty (AROP), severely materially and socially deprived (SMSD) or living in a quasi-jobless household (QJH). AROP is defined as the share of people with an equivalised disposable income (after social transfer) below the at risk of-poverty threshold, which is set at 60% of the national median equivalised disposable income after social transfers. SMSD measures the proportion of the population

experiencing an enforced lack of at least 7 out of 13 necessary and desirable items to lead an adequate life while the ‘low work intensity indicator’ refers to those persons living in a household where the members of working-age worked a working time equal or less than 20% of their total potential during the previous year. Member States were asked to define their own national sub-targets as a contribution to this common endeavour. The AROPE indicator is not new. It has been extensively used before within the context of the Europe 2020 strategy, where it was also a headline indicator. Throughout this paper, we will refer to households with low work intensity as ‘jobless’.

Figure 1. Percentage changes in the at risk of poverty and social exclusion rate (AROPE, AROP60, Low-work intensity Indicator) of the total population, 2009-2019, 18-64 years old.



Source: Eurostat

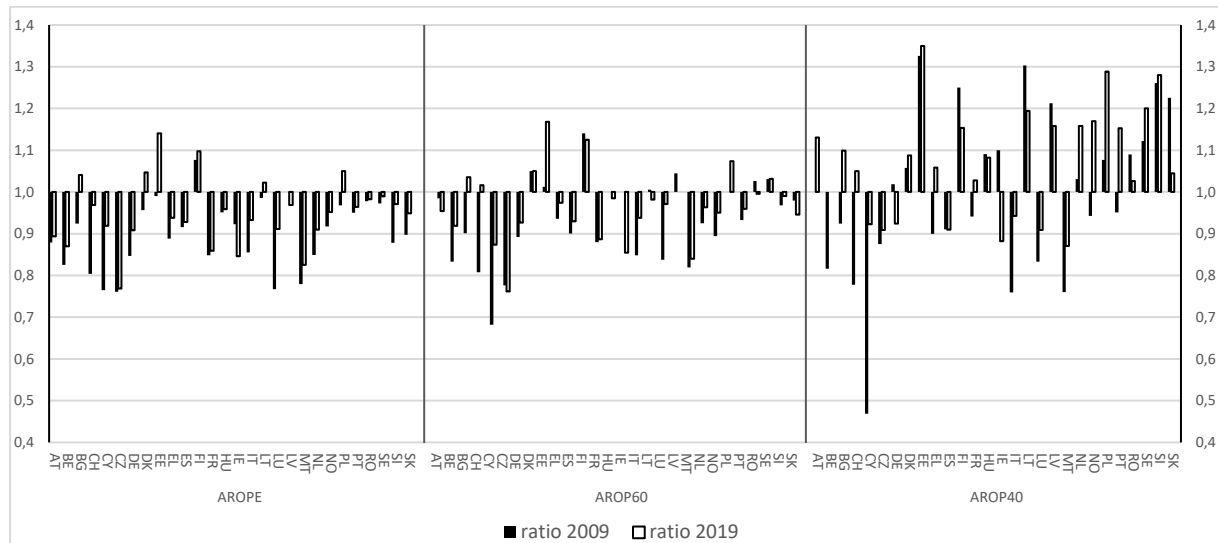
Figure 1 displays the percentual changes in the at risk of poverty and social exclusion rate between 2009 and 2019 for the working-age population. During the decade preceding the pandemic, the European statistical system shows improvements in the composite AROPE-indicator in some countries (most notably in Hungary, Bulgaria and Poland). However, in many other countries, the trends were disappointing. In Greece, Spain and Luxemburg the at risk of poverty and social exclusion increased while the numbers remained stable in others (Belgium, Finland and France). Positive trends were mainly driven by decreases in the material deprivation indicator, which is strongly correlated with economic growth and, albeit to a lesser extent, with diminishing numbers of jobless households. As a general trend, relative income poverty rates among the active-age population have risen almost everywhere. Trends were not unequivocal while levels of at risk of poverty rates vary significantly across Europe. What stands out though, is the fact that in most countries, despite increasing incomes and employment, relative income poverty among the active age population did not decrease in the decade preceding the pandemic. As a general rule, in 2019 the at risk of poverty rates were higher than in 2009.

4.2 The gender dimension of poverty and social exclusion

Figure 2 compares the 2009 vs. 2019 active age male to female at risk of poverty and social exclusion ratios. It appears that in the majority of countries, women are more at risk of poverty and social exclusion than men. However, the differences are usually not very large while there are some striking exceptions: in Finland, Poland, Denmark, Estonia, Latvia and Bulgaria men are more at risk than women. When we consider relative income poverty, taking the low poverty threshold set at 40% of

national median equivalised disposable income as a benchmark, the right panel of figure 2 shows that in the majority of countries, the share of men at risk of poverty is actually higher than the share of women. In most European countries the traditional disadvantage of women thus appears to have faded away. The evolution of the at risk of poverty gender ratios between 2009 and 2019 points indeed at a clear pattern of defeminization of poverty and social exclusion. Strikingly, in some countries such as Sweden, the Netherlands, Poland and Denmark the relative disadvantage of men on the low AROP40 indicator has increased.

Figure 2. Male/female ratios of at risk of-poverty and social exclusion rate (AROPE, AROP60, AROP40), 18-64 years old, 2009 and 2019.



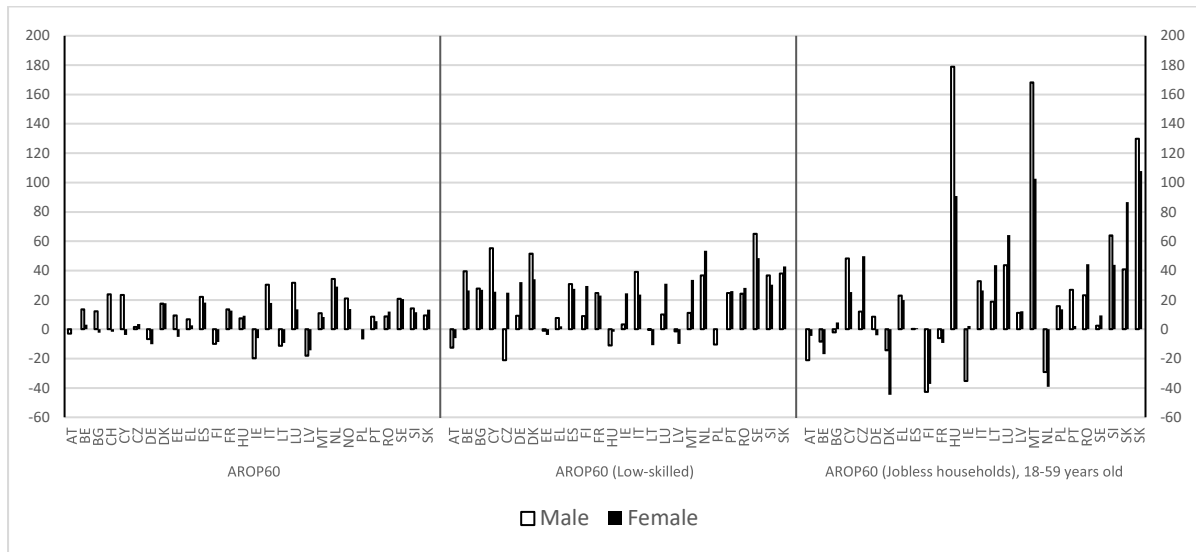
Source: Eurostat

Figure 3 shows the percentual changes between 2009 and 2019 in the AROP60 of men and women in different subgroups. The relative income indicators show that in most countries the at risk of poverty rates for both men and women increased over the years, but generally more for men than for women.

The overall defeminization of poverty and social exclusion is accompanied by significant increases in poverty and social exclusion among low-skilled men and women. The low work intensity indicator displays the same trends: in the majority of countries, among working poor households, the number of relative income poor women and men has increased substantially.

These indicators suggest that in many EU-countries the increase in employment and living standards that occurred between the financial crisis and the health crisis has not done anything for lower incomes. Among the working-age population, the share of people in relative and persistent income poverty has increased in many countries, especially among the less educated and jobless households, while the magnitude of income deficits for these households has not declined. Moreover, the indicators attached to the social scoreboard show a significant defeminisation of poverty and social exclusion among the active age population which went along with a marked precarisation of low-skilled men and women. The empirical evidence points to qualified successes in terms of employment and (gender) equality but not in terms of social inclusion. To what extent was this linked to failures in the social protection dimension?

Figure 3. Percentage changes in male and female at risk of poverty rates 2009-2019, 18-64 years old.

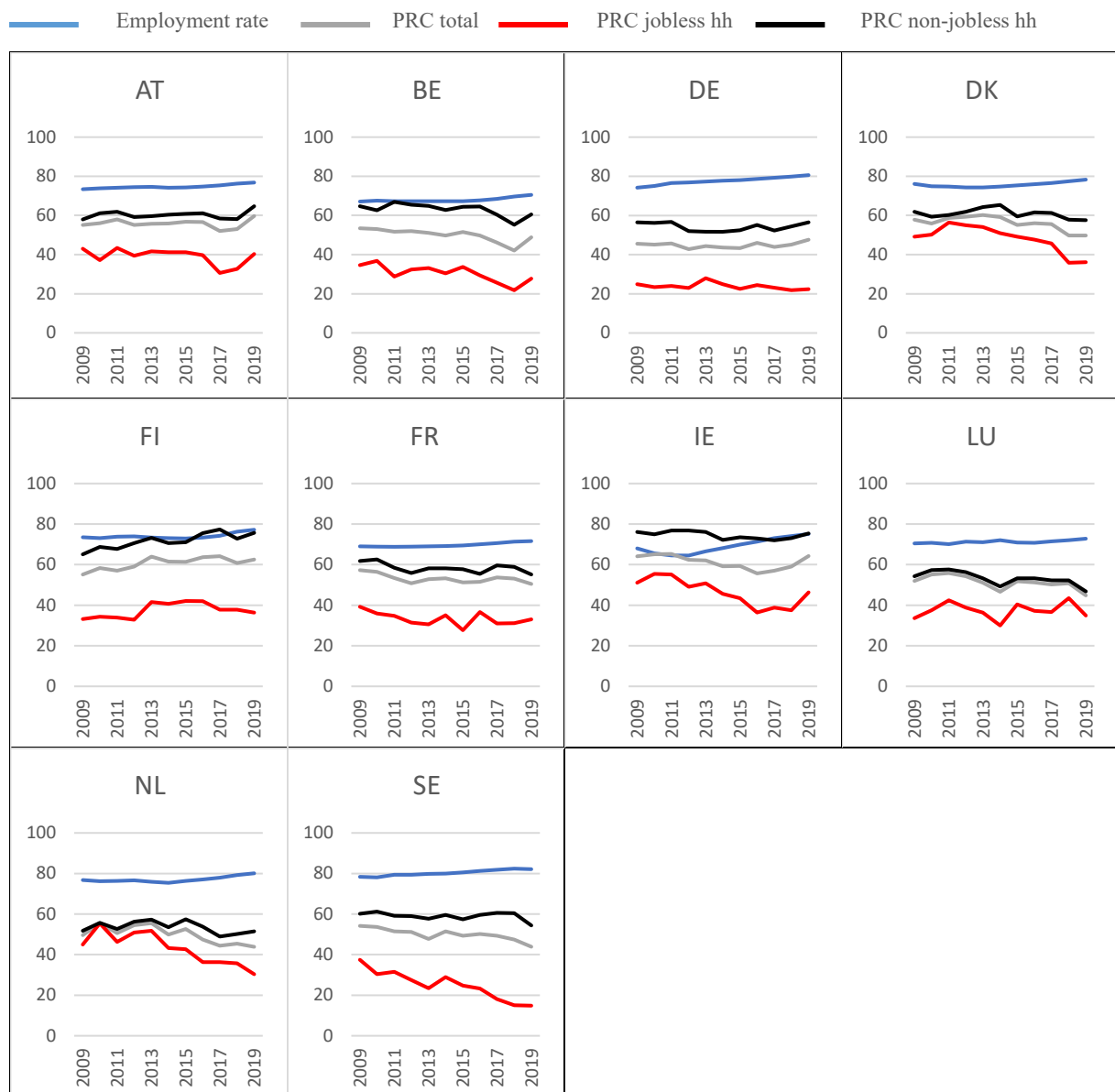


Source: Eurostat

4.3 The declining poverty reducing capacity of social protection for jobless households

Figures 4, 5 and 6, display the evolution of employment rates and the poverty reducing capacity (prc) of social transfers for jobless and non-jobless households in the 2009-2019 decade. Across Europe, the trends are remarkably similar and entirely in line with the trends previously observed before the financial crisis. That in itself is not surprising: as unemployment falls, so does the need for social protection. Between 2009 and 2019, employment rates increased to end up at higher levels than before the outbreak of the financial crisis while the poverty reducing capacity of social transfers declined almost everywhere. More worrying are the downward trends of the poverty reducing capacity of social transfers for jobless households that further declined to extremely low levels: among the population living in jobless households, the percentage of people lifted out of poverty through social benefits ranged between a very low 8,9% in Malta, 14,8% in Sweden and 46,3% in Ireland at the eve of the health crisis. Differences across countries are considerable while there are some exceptions on the general decreases.

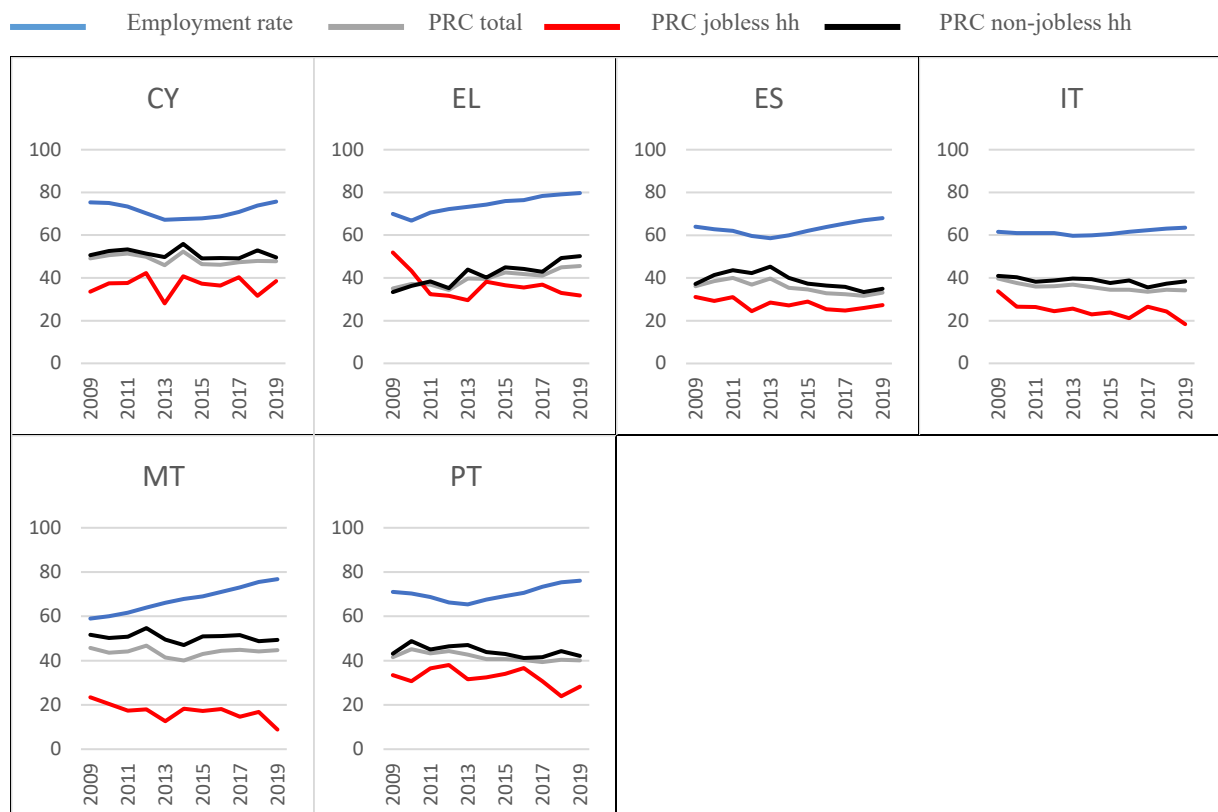
Figure 4. Employment and poverty reducing capacity of social transfers trends in the Continental and Nordic states (2009-2019, %).



Source: EU-SILC (own calculations)

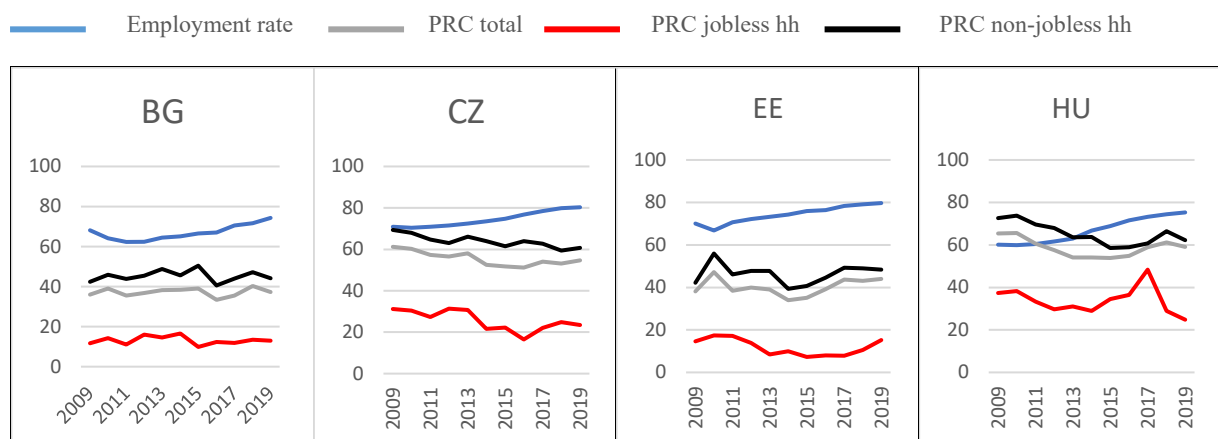
Within the group of continental and Scandinavian countries, Finland stands out: this country combined strong employment growth with a slight increase in the poverty reducing capacity of social transfers, including for jobless households. Within Southern European countries, Cyprus is the only exception to the general trend of rising employment rates and declining effectiveness of social protection for jobless households. Only in Greece did the poverty reduction capacity increase, but not for jobless households. Within the Eastern European countries, trends were more diversified although again the dominant trend was one of declining poverty reduction among jobless households. In the Czech Republic, Hungary and Romania the increase in employment was accompanied by a decrease in the poverty reduction by social protection; in Estonia and Bulgaria, the poverty reduction remained stable while in Lithuania, Poland, Slovenia and Slovakia the poverty reduction only weakened for jobless households.

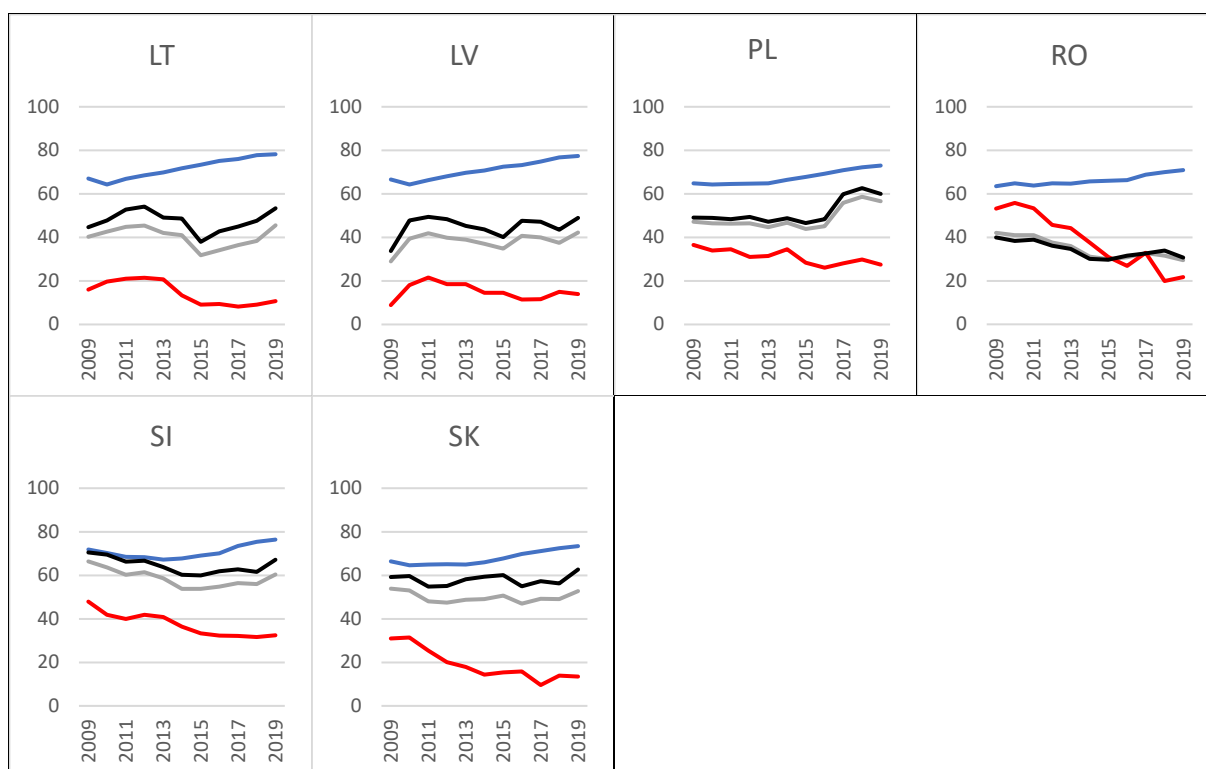
Figure 5. Employment and poverty reducing capacity trends in Southern member states (2009-2019, %).



Source: EU-SILC (own calculations)

Figure 6. Employment and poverty reducing capacity of social transfers trends in Eastern member states (2009-2019, %).





Source: EU-SILC (own calculations)

The trends above show that in many countries, European households most dependent on the welfare state are increasingly at risk of poverty and this seems, at least in part, related to the weakening of social protection. ‘Pre-post approaches’ on which the evidence on changes in the poverty reducing capacity of social transfers is based suffer, however, from several drawbacks which greatly complicate the interpretation of causal chains. In these analyses, only taxes and cash transfers are taken into account while the impact of the increasing share of spending on services is not taken into consideration. There is, moreover, the problem of the counterfactual: properly functioning systems of social security automatically respond to changing needs related to economic and social change. Pre-post approaches run into the problem of endogeneity: policies may have an impact on pre-transfer poverty risks. Changes in the number of jobless and non-jobless households may, for instance, strongly impact the poverty reduction by social security systems, and vice versa. Social protection absorbs social risks, at the level of both the individual and society in general. Poverty ‘before transfer’ is linked to social risks that are, in part, of cyclical nature or that may be the result of economic shocks, such as the risk of unemployment. When pre-transfer poverty increases, as in periods of rising unemployment, we expect increasing poverty reduction. We should therefore be careful to infer from a decrease in poverty reduction that social state’s capacity to reduce poverty has diminished.

To what extent is the overall decline in poverty reduction through social transfers explained by factors related to the distribution of jobs among households and to compositional changes? How might we discern structural changes in the poverty reducing capacity of social protection in European welfare states? The problem of endogeneity cannot be solved through sophisticated techniques. The only way to purge trends of endogenous effects related to changes in needs is to inspect the data from different angles and look for consistent trends. This is what we do in the remainder of the paper. To interpret the declining poverty reduction of social protection, we look at the impact of changes in the share of jobless households, at the evolution of pre-transfer poverty within this group and at the evolution of poverty reduction within the groups of jobless and non-jobless households. At least part of the poverty reduction among non-jobless households should be interpreted as the natural consequence of declining needs due

to the increase in employment. Although part of this mechanism may also play out within the group of jobless households (e.g. through an increase in the number of hours worked within these households), the endogenous effect of a growing labour market on poverty reduction by social transfers is to a large extent swept away when the focus of analysis is on this group, as in figures 4, 5 and 6.

To control for endogenous mechanisms Vandembroucke & Corluy (2014) decomposed the evolution of the at risk of poverty rates in changes in the share of jobless households and changes in poverty within the jobless and non-jobless segments of the population. In table 1 we take this analysis further by decomposing the change in *poverty reduction* through social transfers into changes in the share of jobless households and the absolute poverty reduction of social transfers among jobless and non-jobless households. We also show the changes in pre-transfer poverty among jobless households to contextualise the observed trends.

Poverty reducing capacity of social transfers is defined as follows:

$$prc = \frac{pov_b - pov_a}{pov_b}$$

where:

pov_b = the total at risk of poverty rate before social transfers

pov_a = the total at risk of poverty rate after social transfers

The prc can also be written as a weighted average of the prc of individuals in jobless (j) households and the prc of individuals in non-jobless (nj) households:

$$prc = j \cdot \frac{(pov(j)_b - pov(j)_a)}{pov_b} + nj \cdot \frac{(pov(nj)_b - pov(nj)_a)}{pov_b}$$

where:

$pov(j)_{b/a}$ = at risk of poverty rate of individuals in jobless households (before/after social transfers)

$pov(nj)_{b/a}$ = at risk of poverty rate of individuals in non-jobless households (before/after social transfers)

Changes in the poverty reducing capacity over time can be decomposed as:

$$\Delta prc = \bar{j} \cdot \Delta \left(\frac{pov(j)_b - pov(j)_a}{pov_b} \right) + \bar{nj} \cdot \Delta \left(\frac{pov(nj)_b - pov(nj)_a}{pov_b} \right) + \left(\frac{pov(j)_b - pov(j)_a}{pov_b} - \frac{pov(nj)_b - pov(nj)_a}{pov_b} \right) \cdot \Delta j$$

where, for a change from $t = 0$ to $t = 1$,

$$\Delta prc = prc_1 - prc_0$$

$$\bar{j} = 0.5j_0 + 0.5j_1, \text{ etcetera}$$

Consequently, the change in the overall poverty reducing capacity is decomposed into three contributory factors:

- i. a contribution by the change in the poverty reducing capacity of social benefits for the jobless households
- ii. a contribution by the change in the poverty reducing capacity of social benefits for the non-jobless households
- iii. a contribution by the change in the share of the population living in jobless households

The results of the decomposition shown in table 1 suggest consistent trends for a large number of countries indicating a weakening of the poverty-reducing potential of social transfers that is not (only) endogenous in nature.

Table 1. Decomposition of the change in the poverty reducing capacity of social transfers between 2009 and 2019

	Δ POVERTY REDUCING CAPACITY OF SOCIAL TRANSFERS (PRC)	CONTRIBUTION BY THE CHANGE IN PRC OF SOCIAL TRANSFERS AMONG JOBLESS HOUSEHOLDS	CONTRIBUTION BY THE CHANGE IN PRC OF SOCIAL TRANSFERS AMONG NON-JOBLESS HOUSEHOLDS	CONTRIBUTION BY THE CHANGE IN THE SHARE OF THE POPULATION LIVING IN JOBLESS HOUSEHOLDS	CHANGES IN PRE-TRANSFER POVERTY AMONG JOBLESS HOUSEHOLDS
AT	4,5%	-0,9%	4,8%	0,6%	1,1%
BE	-4,5%*	-2,9%	-1,4%	-0,1%	-0,6%
BG	1,2%	0,1%	1,1%	0,0%	2,4%
CY	-1,2%	0,0%	-3,1%	1,9%	-0,5%
CZ	-6,6%**	-0,1%	-4,9%	-1,6%	2,3%
DE	2,0%	-0,1%	3,5%	-1,3%	-3,8%
DK	-8,1%**	-3,1%	-5,5%	0,5%	1,5%
EE	5,9%**	-0,1%	6,1%	0,0%	-4,2%
EL	10,4%***	-4,3%	9,7%	5,0%	7,4%
ES	-3,0%*	-1,5%	-3,2%	1,6%	-1,5%
FI	7,5%***	0,4%	6,2%	0,8%	0,6%
FR	-6,8%***	-1,0%	-5,9%	0,1%	0,0%
HU	-6,4%**	-0,4%	-4,6%	-1,4%	-1,6%
IE	0,2%	1,2%	3,8%	-4,9%	-1,8%
IT	-5,5%***	-3,0%	-3,0%	0,5%	4,7%
LT	5,3%	-0,9%	6,3%	0,0%	-1,4%
LU	-7,1%**	0,2%	-8,3%	0,9%	1,0%
LV	13,3%***	1,2%	12,1%	0,0%	0,0%
MT	-1,1%**	-2,1%	1,6%	-0,5%	-0,1%
NL	-5,7%**	-4,6%	-2,3%	1,2%	1,4%
PL	9,4%***	-1,1%	11,3%	-0,8%	1,1%
PT	-1,6%	-0,6%	-0,6%	-0,4%	-1,3%
RO	-12,6%***	-3,6%	-7,6%	-1,4%	0,7%
SE	-10,3%***	-6,0%	-4,3%	0,0%	2,2%
SI	-6,0%***	-1,6%	-3,9%	-0,4%	1,5%
SK	-1,1%	-3,7%	2,4%	0,2%	-0,5%

Changes in the poverty reducing capacity of social transfers significantly different from 0 at 99% (***), 95% (**), 90% (*). Source: EU-SILC (own calculations)

Thirteen countries show significant declines in poverty reduction by social transfers. These declines are partly explained by endogenous factors, namely the decrease in the share of jobless households and the decrease in poverty reduction among non-jobless households. Importantly, however, the declines are also related to the decrease in poverty reduction by social transfers among jobless households that is *not* associated with a reduction in pre-transfer poverty among this group. This configuration — suggesting a decline of the adequacy of social protection for households who did not benefit from job growth — is found in the Czech Republic, Denmark, France, Italy, Netherlands, Romania, Sweden and Slovenia. Five countries show a significant increase in poverty reduction through social transfers. In most cases, however, this is mainly explained by greater poverty reduction in non-jobless households rather than improvements for jobless households. Only in Ireland, Latvia and to a limited extent in Bulgaria, Finland and Luxembourg did the poverty reduction for jobless households increase.

5. The need for a better-balanced social agenda

The empirical results for the 2009-2019 period shown in this paper are in line with trends that have been documented since the 1990s (B. Cantillon, 2022). Ever since, as a general trend in many countries, the distribution upside of employment growth and (gender) equality has been affected by a distributive downside (more poverty among the jobless households) that has been *intrinsic* to underlying social and economic forces (Bea Cantillon et al., 2019; Bea Cantillon & Vandenbroucke, 2014). The literature distinguishes between various factors driving disappointing poverty trends. The first factor relates to the unequal distribution of jobs among individuals in a dual labour market in which full employment among the higher-skilled men and women co-exists with the structural underemployment of the low-skilled. Against the background of individualisation and increasing dual earnership, for reasons of social homogamy, this evolution was, secondly, reinforced at the household level (Bea Cantillon, 2011; Corluy & Vandenbroucke, 2017). As a consequence, in many countries, employment growth has disproportionately benefited work-rich households, leaving jobless households structurally behind. A third reason is the impact of dual earnership on median incomes and, hence, on poverty thresholds (Nolan, 2018). Fourth, the “great decoupling” between productivity and profit gains, on the one hand, and low wage growth, on the other hand, has put pressure on the poverty reducing capacity of social protection. When wage floors decline relative to median household incomes (and thus relative to poverty thresholds) increasing transfers to poor jobless households comes at the cost of either worsening financial work incentives or stronger redistributive effort, if in-work transfers are also to be increased to maintain work incentives and to avoid in-work poverty.

European welfare states were resilient and, at least to a certain extent, able to weather the storm of the sweeping social and economic transitions of the time by taking a social investment turn characterised by a focus on investment in human capital, early childhood development, work-life balance and training (Hemerijck, 2017). Yet, because the intrinsic tensions between employment growth and poverty reduction were not (sufficiently) acknowledged, welfare states have been on the losing end of the battle against rising relative income poverty. Social protection for jobless households was under pressure while social investment is plagued by Matthew effects in the use of and access to capacitating services such as childcare, leave, and life-long learning. These benefits and services accrue structurally more to work-rich households making them subject to Matthew effects (Bleses & Seeleib-Kaiser, 2004; Obinger & Starke, 2015). As a consequence, an increasing share of social transfers accrued to work-rich households while social protection for jobless households became less generous as a consequence of the slow growth of low wages and the fight against unemployment traps. In a large majority of countries

minimum incomes for jobless households are inadequate in providing income levels sufficient to raise households above the EU at risk of poverty threshold. This is, at least in part, linked to the problem of employment and poverty traps which are related to the sluggish growth of minimum wages (Bea Cantillon et al., 2020; Hick & Marx, 2022; Lohmann & Marx, 2018; Marchal, 2017). Also the tightened eligibility criteria and increased conditionalities, especially in unemployment benefits and social assistance schemes, contributed to shrinking social protection for jobless households (Eichhorst & Konle-Seidl, 2008; Knotz, 2018; Weishaupt, 2013). Additionally, more people work in non-standard jobs that do not always entitle social insurance protection (Bonoli & Natali, 2012; Immervoll & Scarpetta, 2012).

So conceived, successes on access to employment and (gender) equality on the one hand and the weakening of the poverty reducing capacity of social protection for jobless households, on the other hand, were *intrinsically* linked to social and economic change and the ensuing social investment and employment strategies that defined social inclusion as a derivative rather than as a substantive goal in itself.

6. Conclusion

In this paper, we investigated the disparities between areas of the EPSR that resonate more closely to the ‘market’ rhetoric and those seeking a social protection and inclusion more broadly understood. Concretely, we studied the normative balance between the different principles in the EPSR along with its implementation and the existing body of law of these areas and we put these side-by-side with empirical poverty trends.

We found that although the EPSR proposes a *prima facie* balanced distribution of employment and equal opportunity rights on the one hand and poverty reduction and social protection on the other, its implementation remains unbalanced. The EPSR Action Plan, the actions undertaken since its adoption and the existing EU framework put a greater emphasis on implementing principles relating to equality, the work-life balance and access to employment and working conditions. In the case of the principles of Chapters 1 and 2 of the EPSR, there is a complex and tiered picture composed of a variety of approaches that has over the years led to a rich pool of EU resources. Although this framework is not absent from criticism, it depicts a rather widespread picture. By contrast, the framework for social inclusion is much weaker. We still find many EU instruments but the vast majority take a soft-law approach or do not have a social goal at heart.

The imbalance that we see between the fields of social inclusion, employment and equality exhibits a hierarchy between the different objectives of the Union. There are various reasons for this, beginning with the fact that the EU does not have the same competences in these fields and that while the working conditions and equality bases have been able to evolve over the years, social inclusion (at least explicitly) still does not allow for harmonisation at the EU level. A different and intertwined reason is that employment and (gender) equality align—at least in their origins—with the economic rationale of the Union. This has allowed employment and (gender) equality to grow almost since the conception of the Economic Community, particularly in those areas more linked to the internal market. It is however not the point of this article to investigate the legitimacy of this hierarchy. Instead, as mentioned earlier, we aimed to discuss whether the current approach is, *in principle*, capable to deliver on the new headline poverty targets.

Indeed, the objective of promoting a fair, equal and accessible labour market is an important and legitimate one. Furthermore, this part of EU social policy can be considered a major success of European governance. However, these alone are unlikely to contribute significantly to the poverty targets of the EU. As past experience has shown, progress in the fields of employment and (gender) equality does not guarantee more social inclusion. The empirical evidence on poverty trends in the past decades points, on the contrary, to qualified successes in terms of employment and (gender) equality but not in terms of social inclusion: significant employment growth and defeminization of poverty went along with a marked precarisation of low-skilled men and women. Particularly striking is the rise in the risk of poverty among jobless households linked with the weakening of the poverty-reducing capacity of social protection for these households. It follows that without policies that duly focus on strengthening the resource framework for social inclusion and social protection, it may not be possible to meet the European social inclusion targets in the future.

If Europe wants to help and guide national welfare states to make progress on social inclusion, an equal commitment to employment, equality and social inclusion is needed. This implies the strengthening of the framework of resources for social protection and social inclusion as well as more intersectional approaches that explicitly link the social inclusion dimension of the EPSR with the domains of employment and equal opportunities. While supporting national welfare states in the development of social policies that serve many goals is essential, Europe must also and above all become a holding environment for the most vulnerable citizens.

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