

EUROPE 2020  
SHADOW REPORT



EDITION 2012

MISSING THE TRAIN  
FOR INCLUSIVE GROWTH

ASSESSMENT OF THE 2012 NRP AND PROPOSALS FOR 2013 ANNUAL GROWTH SURVEY,  
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES





# Report overview

As it did in 2011 Caritas Europa presents its assessment of the National Reform Programmes and Europe 2020 Strategy implementation. This report aims to address several key aspects related to the social dimension of Europe 2020 Strategy from the perspective of 23 Caritas Europa Network organisations. It proposes the areas that should be reflected among the priorities of the 2013 Annual Growth Survey as well as the recommendations regarding the European Semester process and steering it better towards achieve the Europe 2020 employment growth, poverty reduction and educational targets.

The report also focuses on assessing the impact of austerity measures on the situation in countries benefiting from the European stabilisation actions and presents the Caritas organisations' assessment of the implementation of Active Inclusion principles. It also presents the feedback from Caritas organisations on the governance process and stakeholders' involvement in the NRPs preparation as well as on using the Structural Funds for employment increase and poverty reduction.

Finally, in the specific country summaries, the report provides the detailed assessment of the situations in 23 Members States and specific recommendations for their labour, social and educational policies.

# Preface

From the very beginning of the discussion on the post-Lisbon Strategy, Caritas Europa strongly supported the idea of setting a specific poverty reduction target in the Strategy of the European Union for this decade. Indeed, we shared the opinion that the absence of direct references to poverty and exclusion in the Lisbon Strategy should not have been continued. The reason for that was clear: both, indicators and experiences of organisations working on the ground showed that the significant part of EU society lived in poverty irrespective of the economic and employment growth observed that time. Therefore, setting the poverty reduction target, together with agreeing on several EU initiatives, such as the Recommendation on Active Inclusion or Platform against poverty allowed for the possibility that poverty reduction and social inclusion of most vulnerable groups could be achieved.

The financial and economic crisis has definitely worsened the situation of those who traditionally were in bad situation: people with low skills, children, migrants, youth, families with many children and others. Caritas is in the front line of helping those who suffer most. Among the recipients of our assistance are people experiencing exclusion in its most extreme form like e.g. homeless people. However, in recent years many Caritas organisations have noted a growing demand for help from the additional groups: in-work poor, migrants, youth and others. Many of them are not eligible for public assistance and services or the assistance for them has been significantly cut in result of the austerity programmes. In these circumstances the need of having poverty reduction target high on the EU Agenda has been confirmed. Among organisations like Caritas, traditionally working with poor and excluded people, the fact that poverty reduction objective was put on an equal footing with other EU objectives was perceived as an assurance that policies to reduce poverty or at least measures to prevent its increase will be applied systematically.

The Europe 2020 Strategy introduced mechanisms through which the growing challenges of poverty and exclusion can be effectively tackled. Therefore, Caritas Europa was very pleased to see that the 2012 Annual Growth Survey has significantly improved its focus on social inclusion, particularly through its new Objective 4: Tackle unemployment and social consequences of the crisis. The assessment done by Caritas organisation shows however that the above Objective was reflected in the NRPs and national policies to limited extent. In our opinion there is a large room for their improvement in terms of tackling the dramatic social situation in some countries.

Caritas Europa believes that the European Semester process may contribute to achieving Europe's social market economy model and improving the worsening social reality of Europe. Thus, our report not only provides critical assessment of the situation but also delivers concrete recommendations and ideas for EU and national actions.

Through this report Caritas Europa wants to present the assessment of Europe 2020 Strategy implementation from the perspective of people working in organisations that help people experiencing poverty or in situation of vulnerability. By doing so we are also trying to assist in giving a voice to many poor and vulnerable people living in our societies and to the organisations who work with them.

# Acknowledgements

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My gratitude goes, first and foremost, to the national Caritas experts in EU Member States for their efforts to engage in and analyse their NRP processes, and the Caritas organisations that made their expertise available for this task.

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The Secretariat of Caritas Europa did a wonderful job in ensuring coordination within the Caritas Europa network, regular communication with the EU Institutions and publicity at European level. A special mention goes to Artur Benedyktowicz, activating nodal point and constant driving force of the process.

Obviously, our utmost gratitude is due to Jose Manuel Fresno, Alia Chahin and Andreas Tsolakis from FRESNO Servicios Sociales S.L. who authored this report after conducting thorough research and collecting the input of the Caritas experts in very challenging conditions.

*Brussels, October 2012*



Jorge Nuño-Mayer  
Secretary General

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# List of acronyms and abbreviations

AGS	Annual Growth Survey
AROEPE	At risk of poverty or social exclusion
CSR	Country Specific Recommendations
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
ECB	European Central Bank
EFSM	European Financial Stabilisation Mechanism
EFSF	European Financial Stability Facility
ERDF	European Regional Development Fund
ESL	Early School Leaving
ESM	European Stability Mechanism
EU	European Union
ESF	European Social Fund
GDP	Gross Domestic Product
IMF	International Monetary Fund
MOs	Member organisations of Caritas Europa
MS	Member State
NEET	Young people not in employment, education or training
NGO	Non-Governmental Organisation
NRP	National Reform Programme
NSR	National Social Report
OMC	Open Method of Coordination
PROGRESS	European Union Programme for Employment and Social Solidarity
P.P.	Percentage Points
R&D	Research and Development
SF	Structural Funds
SPC	Social Protection Committee
UN	United Nations
VAT	Value Added Tax



# Rationale

## Overall context

Europe 2020, the Strategy for jobs and smart, sustainable and inclusive growth is based on five EU headline targets, which are currently being measured by eight headline indicators. The social dimension of the Europe 2020 Strategy is reflected in the three following headline targets:

1 Employment	➔ 75% of the 20-64 year-olds to be employed
4 Education	➔ Reducing school drop-out rates below 10% ➔ At least 40% of 30-34-year-olds completing third level education
5 Poverty / social exclusion	➔ At least 20 million fewer people in or at risk of poverty and social exclusion

Given the Caritas organisations' involvement in assisting people facing unemployment and experiencing poverty and social exclusion, the main focus of this report is to present an assessment of the situation at the national and European levels and to propose recommendations for policies that should contribute to achieving the aforementioned targets of the Europe 2020 Strategy.

Following the policy cycle and within the framework of the European Semester process, Member States (MS) have submitted their 2012 National Reform Programmes (NRP) and Stability or Convergence Programmes to the European Commission (EC). These Programmes have been analysed by the latter, leading up to the 2012 Country Specific Recommendations (CSR) adopted by the Council in early July 2012. These recommendations are built on an in-depth analysis of the situation of each MS, on their implementation of the recommendations of the European semester 2011 and on how the guidance of the 2012 Annual Growth Survey (AGS) has been taken up in the MS.

The objective of the Social Inclusion strand of the Open Method of Coordination (OMC) is to have a "decisive impact on the eradication of poverty" by coordinating social inclusion policies so as to ensure active inclusion for all, guaranteeing the access to rights and resources, which are essential for a full participation in society. Within this framework, MS agreed to present their National Social Reports (NSR)<sup>1</sup> informing about their strategies and progress towards the Common Objectives for Social Protection and Social Inclusion.

According to the principles of good governance, social actors and NGOs among others are due to participate in the Europe 2020 process by making proposals and providing information to public institutions on the content of the NRPs and related documents. It is for this reason that

<sup>1</sup> As for 2nd October 2012 21 MS have presented their NSR

Caritas Europa intends to be actively engaged in this process and to make a decisive contribution, both at the national and European levels, based on its expertise in tackling the needs of the most excluded groups, its capacity for mobilising resources and engaging people at the local level as well as on the values and ethos of its mission.

## Objectives of the Report

This report addresses several key aspects of the Europe 2020 Strategy from the perspective of Caritas Europa and 23 of its national Member Organisations (MOs) and compares the 2012 findings with the report published by Caritas Europa in 2011.<sup>2</sup>

The aim of the report is to make recommendations on the issues that should be particularly addressed in the 2013 AGS, Country Specific Recommendations and NRPs in order to increase the chances for achieving Europe 2020 targets on employment, education and poverty reduction.

The content of this report focuses on:

- ➔ The main findings, which are compared to those presented in the Caritas Europa Shadow Report 2011.
- ➔ How the macroeconomic context is conditioning the achievement of social goals.
- ➔ Analysing the most relevant issues that have been identified by Caritas Europa's Member Organisations in the fields of education, employment and reduction of poverty.
- ➔ Key issues that are of particular interest to Caritas Europa and which should be addressed by the European Commission in 2013:
  - Child poverty and the transmission of poverty to youth
  - In-work poverty and minimum income
  - Care services delivered by NGOs and the social economy as potential sources of employment
- ➔ The role of Structural Funds in achieving the Europe 2020 Targets
- ➔ The progress made on the governance process.
- ➔ Key recommendations for the European Commission and Governments on how to improve European Union and national policies so as to reach the Europe 2020 Targets

Together with this European Shadow Report, a **Country Summary for each of the 23 countries has been drafted**, which describes for the three fields analysed in the report (education, employment and poverty): (i) recent trends; (ii) policy developments; (iii) possibility of achieving the 2020 targets; (iv) the main challenges ahead. In addition, at the end of each summary, **specific recommendations aimed at national governments are proposed in each of the three areas.**

With regards to the **working method and the drafting process**, it must be highlighted that it was done through a participatory process lead by Caritas Europa Secretariat, whereby information and data was extracted from a questionnaires completed by Caritas Europa MOs<sup>3</sup> engaged in this report. The questionnaires sought to gather information and data from statistical sources (official and non-official) and from the experience and knowledge acquired by the different MOs.<sup>4</sup> As part of the process, Caritas Europa organised a workshop in September 2012 to support the peer exchange of knowledge and information, review the report's contents and further develop its recommendations. The feedback obtained from this session was used to update the current report.

<sup>2</sup> <http://www.caritas-europa.org/module/FileLib/ShadowReportEurope2020-Nov2011.pdf>

<sup>3</sup> The list of all Caritas Europa's Member Organisations that have taken part in the process is provided in the Annex.

<sup>4</sup> In order to guarantee the comparability of data between countries, especially with regard to their performance towards the EU 2020 targets, the majority of official statistics included in this report have been extracted from Eurostat: [http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/headline\\_indicators](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators)

# Executive summary

## Main findings

- 01 For most of the countries, poverty and social exclusion are major obstacles to the achievement of the Europe 2020 objective of inclusive growth. While some positive measures have been implemented by several MS, there is little or no progress in the commitments of governments either to their national targets or in terms of results.<sup>5</sup>
- 02 The factors that increase poverty and social exclusion have been exacerbated in many countries. Despite positive measures undertaken by several MS, the stagnation of GDP and sharp rise in unemployment rates, and the fiscal consolidation measures are likely to have an adverse impact on poverty reduction and aggravate the risk of poverty among the population. In many countries austerity measures are undermining social protection systems as automatic stabilisers, having a dramatic effect on people under the poverty threshold, generating new poverty risks and increasing inequality.
- 03 There is no clear positive correlation between the fiscal measures currently being implemented and the reduction of poverty rates. While the targets set in the Europe 2020 Strategy are supposed to be interconnected,<sup>6</sup> the severe fiscal adjustments are not contributing to the achievement of the objectives; for instance, those MS with stronger fiscal adjustments are also the ones that are not increasing their employment rate or reducing poverty and social exclusion.
- 04 A major concern for all Caritas MOs is the negative way social reforms are impacting on the protection of vulnerable persons, thereby affecting their social and human rights. In countries with higher levels of social protection, the most vulnerable groups are having their access to public services limited (more conditions, obligations or cuts in funding); in countries with more fragile social systems (with higher fiscal adjustments), the levels of severe exclusion have increased due to the polarisation of the social protection systems (many vulnerable persons and groups are being left out of the economic and social system).
- 05 Despite the positive measures described in this report, most MS are neither developing the required integrated strategies nor following the active inclusion principles needed to effectively support persons or groups at risk of poverty and ensure that they can fully participate in the economy and in society. In this respect, the invitation of the 2012 Annual Growth Survey (AGS) to the MS to protect vulnerable members of society by *further improving the effectiveness of social protection systems [...], the implementation of active inclusion strategies encompassing labour market activation measures, and adequate and affordable social services to prevent marginalisation of vulnerable groups*, is not being followed by most MS referred to in this report.<sup>7</sup>

<sup>5</sup> Although no official data has been published for 2011, analysts and MOs foresee a marked rise in the poverty rate in the past year, especially in the countries disproportionately affected by the sovereign debt crisis and forced to accept fiscal rescue packages.

<sup>6</sup> European Commission, 2010: Europe 2020 A European Strategy for smart, sustainable and inclusive growth.

<sup>7</sup> European Commission, 2011: Annual Growth Survey.

- 06 | According to the information gathered by Caritas Europa and the experience on the ground of its MOs, **official statistics do not always reflect the negative trends in poverty rates taking place in some countries.** In some cases, sources of information and statistics are incomplete or lack up-to-date information; in others, they do not describe the specific situation of the most vulnerable groups.
- 07 | Regarding the area of employment, the main concern for MOs is related to **the recurrent rates of in-work poverty**; for instance, labour market reforms are determining social policies but are not taking into account the other pillars of social inclusion. The role that the Social Economy and the non-profit sector can play in the provision of services and in the creation of inclusive employment should be better explored in the NRPs.
- 08 | With regards to **education, overall there seems to have been important progress** in the implementation of measures to reduce the school drop-out rates, resulting in positive achievements; however, Caritas Europa MOs are concerned with the fact that this indicator does not measure the quality of education; it should therefore be complemented by other indicators measuring for example school failure. Also in this field, most MOs are worried about the budget cuts, quite high in some cases, which are affecting negatively the provision of quality and accessible education, especially for children more at risk of early school leaving (ESL).
- 09 | Poverty reduction continues to be the major concern for most Caritas MOs. **Child poverty rates continue to increase, resulting in the transmission of poverty to youth** (ages between 18 and 25), which is also increasing. The **absence of minimum income schemes** in some countries and of comprehensive inclusion policies in most MS aggravate this situation.
- 10 | Comparing the trends in 2011 and 2012 in the policy process, **different situations can be observed**: some countries are making important progress by implementing measures to overcome previous failures and short-falls, taking into account the Country Specific Recommendations; other countries are rarely designing new initiatives to put these recommendations into practice; in some MS the issues related to social inclusion are losing importance on the political agenda, if not disappearing from the priorities.
- 11 | Regarding the role of **Structural Funds (SF) in achieving the Europe 2020 targets, there remains little connection with NRPs**: there is scarce information in the NRP on how countries will align these EU resources with their targets; weak levels of implementation and lack of transparency are frequent. There are few signs that SF will be dedicated or assigned to design and implement poverty reduction measures.
- 12 | As per the governance process, despite improvements in some countries and a less binding calendar than during the previous year, **the involvement of NGOs and civil society in the policy cycle remains limited when not decreasing.** Participation, when it does take place, tends to be poor in quality and influence. NRPs have scarcely been raised on the MS parliamentary agendas or at the regional and local administrative levels.
- 13 | **NSRs, when adopted, lack clarity about their role in relation to the NRPs.** Similarly, there is little progress in the development of social targets into concrete measures and actions. Most of them do not contribute to covering the three OMC pillars, to fighting poverty and exclusion and to ensuring social protection, based on common objectives.

## Key recommendations

In 2011, Caritas Europa Shadow Report highlighted the fact that the NRPs were mainly focused on the economy, fiscal adjustments and structural reforms and tended to neglect social issues. It was proposed that NRPs should be more comprehensive in the areas of social protection and social inclusion and with a more explicit focus on the targets related to the reduction of poverty and social exclusion. In 2012, this trend persists and therefore Caritas Europa addresses recommendations in three directions:

### A

#### Regarding the contents of the AGS the 2013 AGS Priorities should be used to call on the member states

- 01 To adopt and implement child-specific, multi-dimensional and rights-based policies tackling child poverty and preventing youth from becoming poor. These policies should particularly focus on children who are at greatest risk of poverty and their families, with the aim of breaking the cycle of poverty and the transmission of disadvantages across generations, especially to young people. NRPs should set annual targets for tackling child poverty.
- 02 To recognise the care and social economy sectors' potential for job creation and to facilitate employment growth in this sector by ensuring a greater presence and support for Social Economy initiatives and the promotion of employment in care services in the 2014–2020 Operational Programmes to be financed by the SF and by taking into account the added-value of the non-profit sector in the delivery of services adapted to the vulnerable people.
- 03 To tackle in-work poverty, addressing labour market segmentation by improving, adapting and implementing legislation and measures aimed at combating precariousness as well as supporting job quality.
- 04 To ensure minimum income schemes, recognised as a basic right so as to reduce and eradicate severe poverty and guarantee human dignity for all.

### B

#### Regarding the implementation of the Europe 2020 Strategy with a view to better reflecting its social dimension

- 01 To prioritise poverty targets on the Europe 2020 political agenda and in NRPs by seeking a stronger political support from MS, guaranteeing that these targets are among the Council's priorities and that at least 20% of the ESF allocation is invested in promoting social inclusion and combating poverty in the next SF programming period.
- 02 To adopt EU investments Programmes to counter-balance fiscal adjustments, by creating new jobs, promoting initiatives that reinforce the Social Economy enterprises and strengthening the role of the non-profit sector in the creation of different forms of employment for people at risk of exclusion.

## C

### Related to the European Semester process and to governance

- 01 | To design and implement measures to compensate the reforms that are having a negative impact on the protection of vulnerable people, strengthening the pillars of the EU social model and compensating the impacts of fiscal adjustments.
- 02 | To improve the governance process of both the NRP and NSR by providing better information and increasing the level and the quality of consultation with civil society.
- 03 | To improve the monitoring mechanisms by establishing an assessment on poverty reduction and social targets at the same level as macroeconomic figures related to fiscal and budgetary plans. This would require reviewing in more detail NRPs' progress during the entire cycle, requesting from MS a detailed report on the measures implemented and their effectiveness (quantitative and qualitative).
- 04 | To improve the quality of available information by collecting and publishing up-to-date data and completing sources of information in order to better reflect the situations of social exclusion.

# 01 Macroeconomic scenario

## Impact of the crisis and austerity on the European social situation

The spring forecast for 2012–2013<sup>8</sup> shows that the EU economy is currently in a mild recession. While **uncertainty about economic and financial prospects remains high**, policy actions and major advances in the EU institutional framework have brought about an easing of financial market tensions in the beginning of 2012 and a tentative stabilisation of confidence, expected to be strengthened further over the forecast period. Together with an expected acceleration in global growth, **the recovery is estimated to set in slowly** from the second half of 2012 onwards. The picture presented in the interim forecast in February 2012 is broadly confirmed for the current year, with real GDP projected to stagnate in the EU and to contract by –0.3% in the euro area. For 2013, growth is estimated at 1.3% in the EU and 1.0% in the euro area. **Unemployment is expected to remain high** at 10% in the EU and 11% in the euro area over the period analysed.<sup>9</sup> EU economic growth is faltering and after several years of crisis, few macroeconomic policies are being planned or implemented to boost growth.

**Fiscal consolidation** and the restoration of macro-financial stability have been defined in Europe as a basis for growth and for securing the future of the European social model.<sup>10</sup> Government debt levels have increased markedly – by 20 percentage points (p.p.) on average over 2007–2010 as a result of the crisis (reduction of income, support to banking system, measures to palliate the crisis, etc.) – and are expected to reach 85% of GDP in the EU and 90% in the euro area by the end of 2012. Public deficits are set to decline to just above 3% of GDP on average in the EU in 2013, except in some countries. Budgetary targets are conditioning especially those MS benefitting from financial assistance Programmes (Portugal, Greece, Ireland, and Spain)<sup>11</sup> and those under close market scrutiny (Romania, Latvia).

**In 2012, the primary focus of NRPs continued to be the reduction of public deficits through fiscal consolidation.** The main guidance came from the three Economic Guidelines and the first objective of the AGS 2012, the Euro Plus Pact, and the commitments of the Fiscal Compact. The so-called 'Six Pack' is conditioning the NRPs in individual countries; for instance, macroeconomic and fiscal surveillance underlie the Programmes as well as the required administrative reforms.

**Macro-economic policies involving austerity cuts that threaten the Welfare State are negatively impacting social cohesion and undermining the fulfillment of poverty reduction targets,** particularly in some countries where these policies are aggravated by declining tax resources, which are likely to increase inequalities and poverty. As in 2011, most Caritas MOs have highlighted that poverty and social exclusion will not be addressed effectively in the period ahead and that poverty is increasing at the same time as the income of people in or at risk of poverty and social exclusion is falling while inequalities are rising. Measures taken so far are not having positive effects on reducing poverty and social exclusion. The link between the economic approach and the fight against poverty and social exclusion in the NRPs is far from obvious.

<sup>8</sup> Published by the European Commission in May 2012.

<sup>9</sup> European Commission, May 2012: European Economic Forecast, Spring 2012: [http://ec.europa.eu/economy\\_finance/eu/forecasts/2012\\_spring\\_forecast\\_en.htm](http://ec.europa.eu/economy_finance/eu/forecasts/2012_spring_forecast_en.htm)

<sup>10</sup> European Commission, 2012: Annual Growth Survey – Annex Macro-Economic Report to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions.

<sup>11</sup> Countries benefiting from the European Stabilisation Mechanism, the European Financial Stabilisation Mechanism (EFSM) or the European Financial Stability Facility (EFSF).

## Situation in the countries benefiting from the stabilisation mechanisms

The European Stabilisation Mechanism consisting of the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF), is conditioned by fiscal and economic measures that need to be undertaken by the beneficiary MS. For instance, the financial support is accompanied by a comprehensive strategy to ensure fiscal coordination, surveillance and consolidation, and economic reforms.

The beneficiary countries of the EU stabilisation mechanism have to sign a Memorandum of Understanding that establishes and specifies economic policy conditionality; implementation is permanently reviewed by European institutions. The disbursements of financial assistance are subject to quarterly reviews of conditionality for the duration of the arrangement; disbursement is made by tranches based on observance of quantitative performance criteria and a positive evaluation of progress against certain policy criteria.

Memoranda of Understanding entitles beneficiary MS to short-term drastic fiscal and financial reforms, to a reduction of public expenditures in many areas related to pensions system, health and care system, labour market reforms, education and social benefits. The protection of the vulnerable and poverty reduction is not given priority in these Memoranda. For example, although the protection of the vulnerable is included in the Memorandum of Understanding between the Irish Government and the 'Troika', in reality the policies that the Government is implementing in order to meet the programme's targets place a disproportionate burden of the fiscal adjustment on those persons in situations of poverty and vulnerability. Despite meeting the terms of the stabilisation programmes the promised outcomes are not materialising. Growth is very sluggish, unemployment is not falling and essential public services are being curtailed.

In general, MS applying for financial assistance are confronted to a higher economic downturn, together with more stringent adjustments resulting in increasing poverty and social exclusion and aggravating circumstances of vulnerability as it is described in the present report.

In their assessment of how the Social Objectives of Europe 2020 Strategy are addressed in the national policies the Caritas Europa organisation pointed several issues already present in the 2011 Europe 2020 Shadow Report:

- There are serious questions concerning the macro-economic approach underpinning the Europe 2020 Strategy, particularly in its assumptions on how poverty and social exclusion are to be successfully addressed.
- The NRPs focus disproportionately on economic issues and the stabilisation of public spending, which are generally worsening the social context.
- Many NRPs are putting the emphasis on reducing public expenditure through cuts of social security benefits and services, wage reductions and wage freezes and increases in taxation and, in particular, regressive taxation (e.g. VAT).

- ➔ Pension reforms, while necessary, can cause **further imbalances** with regard to income inequality and poverty among the elderly.
- ➔ The general tendency to focus on achieving poverty reduction by increasing employment **fails to address the multidimensional nature of poverty and social exclusion**, and does not take into account the number of people experiencing poverty and social exclusion who may be unable to access the labour market. Moreover it does not consider the growing phenomenon of in-work poverty.
- ➔ The worrying erosion of social services in terms of their extension, accessibility and quality, which has been significantly aggravated by the crisis austerity measures.

## However, there are more new issues highlighted in 2012

- ➔ **The way in which some reforms are undertaken is disproportionately impacting the poorest in society.** In many countries, fiscal reform aiming at reducing spending are complemented with increasingly regressive taxation. A rise in VAT aggravates inequalities as this tax has a much deeper impact on the purchasing power of people with low income than on that of high earners. For instance, **several MS are reducing the levels of social benefits, particularly retirement pensions and disability benefits, resulting in a setback in relation to the right of workers** (e.g. Spain, Portugal). Solutions proposed to reduce health expenditures tend to increase the population's financial effort, especially low income earners; special attention must be paid to the reorganisation and cuts in the health sector, resulting in decreasing quality and accessibility of care (e.g. France). In some cases, benefits and their conditions are being revised (e.g. medically unfit to work and long-term sickness benefits in the UK). MOs have stressed that **reducing the social security budget will increase the vulnerability of people** by raising their financial effort toward healthcare, thereby increasing the risk of excluding people from healthcare because it is too expensive.
- ➔ **Welfare states should be able to respond to new problems.** Caritas MOs have insisted on the fact that the welfare state needs to meet the challenge of responding adequately to the changing macroeconomic environment. **Previous experiences show that the governments give priority to the transfer of the labour costs towards consumption, by increasing taxes and moderating the evolution of labour costs** whereas other ways can be used to ensure the financing of social protection. In other cases, **social services are overcrowded and affected negatively by budget reductions**, while they need to respond to new demands and profile of beneficiaries (e.g. Spain).
- ➔ **Some positive measures are being implemented to mitigate the impact of the recent austerity measures on the people at greatest risk of poverty.** Caritas MOs general opinion is that **most measures foreseen, albeit positive, contribute to preventing poverty from further increasing or maintaining similar rates, rather than contributing to its reduction.** In some countries, positive measures have been taken to reduce taxation on the poor and to tackle in-work and transition-to-work poverty traps. Others are upgrading the benefits aimed at vulnerable groups and reducing income inequality, with a view to strengthening social cohesion. Some policies aim to increase basic pensions, to provide additional financial assistance to students in need, to improve public transportation, to enhance housing policy for young couples, large families as well as senior citizens (e.g. Cyprus).

- ➔ **There is a lack of sufficient official information and up-to-date data.** Many MOs have emphasised that the data presented in NRPs makes little or no reference to the social situation of the countries or to the social consequences of the reforms. Poverty-related data has not been updated for the year 2011 in Eurostat nor in many national statistics departments. Similarly, in many NRPs, there is little or no reference to at-risk-of-poverty rates, different types of poverty, living circumstances or other social indicators (e.g. Germany) and there is an absence of concurrent statistical details (e.g. Cyprus).
- ➔ **There is a lack of planning and/or delay in the implementation of the proposed measures and insufficient resources to implement the planned actions:** many Caritas MOs have highlighted that national plans and strategies to boost productivity and competitiveness are either under discussion or remain on paper with no further actions being undertaken. While fiscal adjustments are at the forefront of the NRPs, social measures are delayed *sine die* or ignored. A number of processes that are described in the NRPs have not yet been implemented or are still in the planning stage (e.g. Cyprus, Bulgaria). Moreover, while the socio-economic forecasts for 2012-2013 developed in many NRPs are quite positive most of the planned measures and reforms have not yet been implemented (e.g. France), there are in permanent delay, which generates instability (e.g. Greece), or social reforms are planned without sufficient resources (e.g. Czech Republic, Romania).



# 02 Employment

**2020 EMPLOYMENT TARGET**

- ➔ 75% of the 20-64 year-olds to be employed.

**ANNUAL GROWTH SURVEY 2012\***

- ➔ In 2011 there has been no substantial progress.
- ➔ The EU-27 employment rate for 2011 is likely to be only slightly above the 2010 level of 68.6% and to remain well below its pre-crisis high of 70.3%
- ➔ The challenge remains to bring an additional 17.6 million people into employment between now and 2020.

\* Presented on 23/11/2011

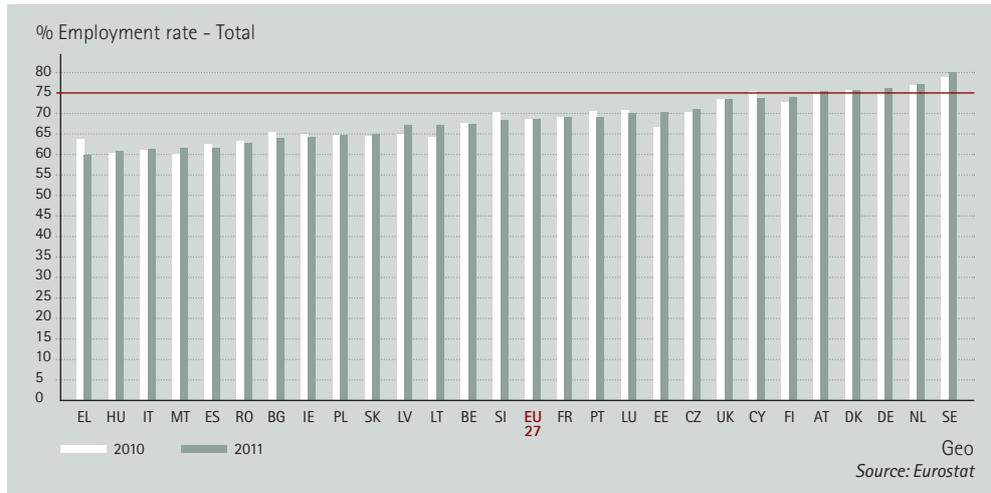
## 2.1

### National targets and trends on the labour market

Although the MS agreed on having common employment target at the EU level they did not propose sufficient national targets that would make the EU target achieving realistic. In fact, should all MS achieve their national target, the EU as a whole would still fall short of the 75% target by 1.0-1.3 p.p.<sup>12</sup> Up to now, there has been no substantial progress towards employment growth. With the recovery stalling, the EU-27 employment rate for 2011 (68.6%) was the same as in 2010 and well below its pre-crisis level of 70.3%. The challenge remains to bring more than 17.5 million people into employment between now and 2020.

<sup>12</sup> European Commission, 2012: Annual Growth Survey, Vol 2/5.

Graph 1 Employment rate 20-64 (changes 2010-2011)



The current situation demonstrates that in 2011 only 5 MS (Denmark, Germany, Netherlands, Austria and Sweden) were above the 2020 EU target. While the employment rates in the UK, Cyprus and Finland are almost equal to the EU target, in the other countries like Bulgaria, Greece, Spain, Italy, Ireland, Hungary, Malta, Poland, Romania, Portugal and Slovakia the rate is over 10 p.p. lower than the Europe 2020 target. Compared to 2010, there has been no substantial progress; on the contrary, those MS that are furthest from their goal, including all countries that have applied for financial assistance within the European stabilisation mechanism (Greece, Portugal, Spain, Ireland, Romania), have registered a regression in their situation in the past two years.

Regarding the possibility of reaching their national target between 2011 and 2020, several MS (Belgium, Estonia, France, Greece, Finland, Hungary Ireland, Italy, Poland, Portugal, Romania, Slovakia, Slovenia and Spain) will have to achieve an increase of five or more p.p., while others are at a shorter distance of less than two p.p. (Austria, Cyprus Germany, Malta, Sweden).

**Table 1 Performance of EU Member States on the Europe 2020 national employment targets**

Country	EMPLOYMENT TARGET 75% of the 20-64 year-olds to be employed	
	2011 empl. rate	Nat. Target
Austria	75.2%	77-78%
Belgium	67.3%	73.2%
Bulgaria	63.9%	76%
Cyprus	73.8%	75-77%
Czech Republic	70.9%	75%
Denmark	75.7%	80%
Estonia	70.4%	76%
France	69.1%	75%
Germany	76.3%	77%
Greece	59.9%	70%
Finland	73.8%	78%
Hungary	60.7%	75%
Ireland	64.1%	69-71%
Italy	61.2%	67-69%
Latvia	67.2%	73%
Lithuania	67.2%	72.8%
Luxembourg	70.1%	73%
Malta	61.5%	62.9%
Netherlands	77%	80%
Poland	64.8%	71%
Portugal	69.1%	75%
Romania	62.8%	70%
Slovakia	65.1%	72%
Slovenia	68.4%	75%
Spain	61.6%	74%
Sweden	80%	> 80%
United Kingdom	73.6%	---

---: no target set Source: Eurostat

While economic recovery has been slow and slightly positive growth is forecasted for the coming years, **there will only be a weak employment recovery.** The employment rates undergoing the highest decline in 2010 have mainly been those of men in sectors such as manufacturing or construction (low-skilled and notably young persons); this negative trend persisted in 2011. Compared to the employment rate of men, women have been affected more gradually by the crisis, while the employment rate of older workers has improved.<sup>13</sup>

**Long-term and low-skilled unemployment rates are increasing across the EU** and large unemployment shocks have led to a significant increase in the number of people having to rely either on unemployment benefits or social assistance, even in countries with a lower unemployment rate. **The revenues for pension schemes have dropped considerably as a consequence of increases in unemployment and part-time work** and the stagnation of wage contributions are putting social safety nets under stress and aggravating the risk of long-term exclusion.

<sup>13</sup> European Commission, 2012: Annual Growth Survey - Annex Draft Joint Employment Report to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions.

## 2.2

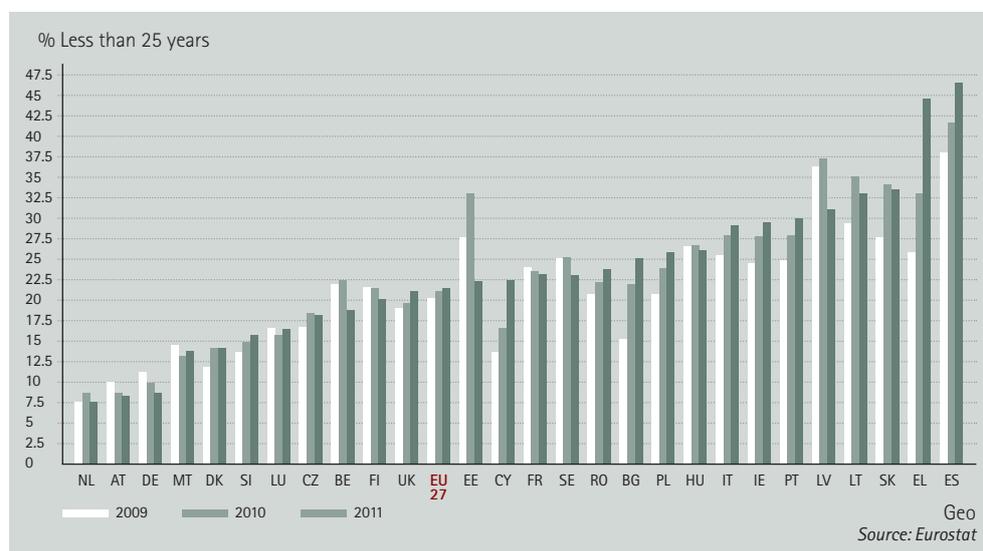
# Progress and changes between 2011 and 2012

The Caritas MOs were requested to report whether the national targets proposed in the NRPs are achievable in their opinion. The feedback given by them can be synthesised as follows:

- Some Caritas MOs reported that the employment target is coherent with the economic and financial situation of their country and could be reached (Cyprus and Malta).
- Some MOs consider that the target could be achieved but believe they should be more ambitious or more explicit in relation to special groups (for instance France, Romania, Luxembourg and Germany regarding the elderly).
- Some MOs deem that the employment target is consistent neither with the economic and financial situation of their country nor with the measures planned in the NRPs (Belgium, Bulgaria, Greece, Italy, Lithuania, Portugal, Slovakia and Spain).

One of the main concerns for most Caritas MOs is the high rate of youth unemployment, which is highlighted as a major challenge. For instance, the average youth unemployment rate continues to be above 20% and in several countries surpasses the 30% threshold (Greece, Spain, Latvia, Lithuania and Slovakia) with some countries reaching almost a 50% rate. Improvements in this situation are taking place slowly in some countries while in others the situation has worsened in the past year, again especially in the case of MS that have applied for financial assistance within the European stabilisation mechanisms.

Graph 2 Unemployment rate by age group



Finally, Caritas MOs have reported that regarding youth unemployment a variety of positive measures are implemented or planned for implementation, generally aimed at improving training systems, apprenticeship schemes, contracts, better targeted job search support, combined training and in-work training schemes, etc. Despite this improvement in the education system, which is aimed specifically at adapting the education to the needs of the labour market and seen as an important policy development, progress has shown to be very limited in the short-term.

## Some progress observed between 2011 and 2012

In Caritas MOs opinion most of the 2012 NRP have not provided any significant changes compared to 2011 Programmes. In fact, in many MS, the objectives remain the same and the measures planned are similar. However, in some countries, positive measures included in 2011 NRP have been removed in 2012, e.g. the creation of 200,000 additional posts for the provision of caring solutions for young children, enabling families to better conciliate their work and family life in France.

As regards the key challenges, those identified by Caritas MOs in 2011 remain the same in 2012. For instance, most MOs refer to the high rate of unemployment, youth unemployment, long-term unemployment, gender imbalances in employment, scarce participation of older workers in the labour market and difficulties for vulnerable groups to access employment (migrants, Roma, people with disabilities, etc.). According to several Caritas MOs, inadequate minimum income, low quality work and poor working arrangements continue to be a feature of their respective countries.

The Caritas MOs reported that the most measures aimed at enhancing employment in the MS in 2012 have focused on:

- ➔ Expanding the flexibility of working arrangements: changes in the contractual terms with negative impacts on the salaries, retirement rules, more flexible rules for the termination of contracts, social costs, etc.).
- ➔ Labour market structure: changing in the system of unemployment benefits and early retirement (e.g. Belgium).
- ➔ Facilitating an access to employment: apprenticeship schemes to encourage employment of young people (e.g. France, Belgium, and Cyprus).
- ➔ Foster new employment opportunities for people most at risk of unemployment, including youth, women, migrants and older workers (e.g. Austria, Poland, Cyprus).

In their assessments of the LM trends Caritas MOs have identified the following main problems in 2012:

- ➔ The economic downturn perpetuates negative conditions for employment growth in most countries.
- ➔ The competences/abilities of the unemployed do not match the needs of the sectors with the greatest demand, such as the agricultural sector, especially for young people (e.g. France, Cyprus).
- ➔ Some measures foreseen are not tackling unemployment. For instance, labour flexibility has potentially caused an increase of unemployment rates (e.g. Spain) or disincentive to work (reform of Employment Support Allowance in UK) and negative effects among the most vulnerable groups (e.g. Lithuania).
- ➔ There is a general trend towards reducing social support measures (social work support) as well as the resources allocated (cuts in child-care services) to create proper conditions for the excluded groups to access employment (e.g. Spain, Netherlands, Romania).
- ➔ Transitory measures adopted for immigrants from Romania and Bulgaria are preventing the latter from accessing employment, with a particularly negative impact on the Roma population (e.g. France).
- ➔ In some countries the tax wedge, including all compulsory payments, remains relatively high for low-income workers and a proportion of jobseekers have little incentive to move from social assistance to a low-paid job (e.g. Slovakia).

- ➔ A major concern for Caritas MOs is that many of the measures to increase employment levels included in NRPs are either in study, in revision or just starting (e.g. Portugal) or very far from what was expected in terms of investments and results.

The Caritas MOs reported also on the measures that have had or are likely to have a positive impact on employment and could potentially be reinforced or developed in other countries with similar circumstances. Among them one may include:

- ➔ Foster employment of youth through apprenticeship schemes that foresee part-time schooling/part-time internships (e.g. France) and other means of support (e.g. Bulgaria, Cyprus, Portugal), in accordance with the European Youth Guarantee.<sup>14</sup>
- ➔ Foster employment through training schemes adapted to the employment needs in specific sectors, e.g. agriculture (e.g. France).
- ➔ Extended training to unemployed persons and integrated training and employment schemes focusing particularly on persons belonging to vulnerable social groups and aiming to gain abilities and skills for jobs (e.g. Cyprus).
- ➔ Consulting services for the prevention of secondary occupational diseases in order to delay early retirement due to ill health (e.g. Austria).
- ➔ Initiatives to increase female participation in the labour market (e.g. Poland, Malta, Estonia).

## 2.3

### Active inclusion in the labour market reforms

In 2008 Caritas Europa welcomed the *Recommendation on Active Inclusion of people excluded from the labour market*, proposing implementation of comprehensive strategies combined in an appropriate manner so as to address the three aspects of active inclusion: access to quality services, adequate income support and inclusive labour markets. In CE opinion only the interlinked and mutually supporting measures may provide for an efficient fighting of various dimensions of poverty. Given the European Commission's interest in stocktaking on the implementation of the Active Inclusion strategies Caritas MOs presented their assessment of Active Inclusion implementation in relation to its three main principles. The observations can be summarised as follows:

- ➔ In relation to quality services:
  - ➔ Several countries have initiated individual support systems for persons at greatest risk of unemployment or with lower skills, by providing individual pathways and support schemes (e.g. Cyprus through advisors/councillors).
  - ➔ Others are undertaking improvements in employment services and job search support as well as increasing the availability of training opportunities.
  - ➔ However, several MOs insisted on the need to simplify the transition from school to work, especially regarding vocationally-oriented skills at secondary, post-secondary and higher education levels, through a combination of classroom education and on-the-job training. Similarly, the rigidity of services and the need for flexible mechanisms to be coherent with the people's needs and abilities was also stressed by some MOs (e.g. Belgium, France).

<sup>14</sup> European Commission, 2012: Communication from the Commission. Youth Opportunity Initiative: <http://ec.europa.eu/social/main.jsp?catId=1006>

- ➔ In relation to **adequate income**:
  - ➔ The lack of a policy mix approach tends to reduce or induce cuts in income support. In **most MS, economic support systems to unemployed persons tend to be curtailed or capped**; in some cases it is the unemployment insurance coverage (e.g. UK), in other, funds dedicated to training measures for the long-term unemployed (e.g. Germany).
  - ➔ Frequently, reforms of the unemployment protection system **have resulted in the exclusion of a large number of persons from unemployment benefits and forcing them to apply to minimum income schemes** (i.e. Belgium), resulting in a decrease in benefits. This narrow approach has resulted in a **shift from the core principles of social security (universal protection) towards a system based on social assistance and minimum safety nets**. Increasing asymmetries in the levels of protection is also a matter of concern (e.g. Slovenia).
  - ➔ Some Caritas MOs have insisted on the need to improve and facilitate the transition between income/benefits systems and access to employment. It is agreed by some governments that existing systems sometimes cause disincentives to seek employment (e.g. in the UK).

➔ In relation to **inclusive labour markets**:

- ➔ Some MOs have reported that **educational outcomes are unable to meet labour market needs** and do not provide proper skills for the labour market (e.g. France in relation to agriculture, Cyprus).
- ➔ Tackling **undeclared work** has been identified as a persisting need, a phenomenon representing 17.5% of GDP in Italy and more than 20% in Cyprus and Spain.
- ➔ Female participation is encouraged through the conciliation of family life and work by extending or increasing child-care services and in other cases by increasing their participation in management boards (e.g. Czech Republic).
- ➔ The **duality of the labour markets** has been reported as having negative effects on the employment of youth, who are often confined to insecure and precarious employment (e.g. France).
- ➔ Some MS are taking measures to **reduce the abuse of precarious contracts** and increase the admissible period for immigrant people to look for a new job before entering in an irregular situation (e.g. Italy from 6 months to 1 year).

## 2.4

# Care services delivered by non-profit organisations and the social economy: the potential sources of employment

Given the lack of optimistic labour market forecasts for the near future, the European and national policies should better focus on exploring employment opportunities in sectors which, due to the social trends and needs (e.g. demography) **will conclusively generate new jobs, or have proven to efficiently provide employment opportunities**.

The 2012 AGS emphasised the need for MS to give priority to developing initiatives that facilitate the highest employment potential, including sectors such as healthcare and social services ("white jobs"). The care sector **should be considered as one of the most promising in terms of staff demand** due to the challenge of an ageing European population, but also due to the increasing need of caring services for children, people with disabilities or experiencing specific health problems.

According to the 2012 Ageing Report, the population aged 65 and above will increase very markedly in the coming years.<sup>15</sup> This group is expected to double in the EU, rising from 87.5 million in 2010 to 152.6 million in 2060. This entails a shift from four to two working-age people for every person aged over 65 years in that period.

The ageing process requires more care services to be ensured. This is why an adequate supply of well-trained workers is needed in the fields related to the well-being of the persons and to services to the community. And therefore, **appropriate strategies for training and improving recruitment efforts, including the employment of migrant workers, are essential. Moreover, the capacity to retain recruited workers needs to be increased:** improvement in salary rates, working conditions and career prospects; investment in life-long training for staff also has to be improved.

Furthermore, the potential to create jobs can be observed through supporting and developing the Social Economy enterprises, which have proven to be efficient in creating sustainable jobs for the most vulnerable groups. For this reason, the Social Economy must be adequately supported in the national social and employment policies as it can significantly contribute to increasing employment opportunities and facilitating social inclusion of various groups experiencing unemployment and poverty.

The Social Economy is not only important in economic terms but makes notable **contributions to a fairer distribution of income and wealth**, to creating and providing welfare services (such as social, health and social security services), to sustainable development, to healthier democracy and involvement by the public and to increasing the efficiency of public policies. This relevant contribution has been underlined in the Europe 2020 Strategy as well as in the EC Communication Social Business Initiative and Joint Employment Report,<sup>16</sup> demonstrating renewed EU impetus in the direction of supporting the Social Economy and social innovation.

In this sense, **Caritas and other non-profit organisations are part of the Social Economy** as they provide health, care and other social services. In many cases, they also aim to provide jobs for people further away from the labour market and are therefore generally referred to as "WISE" (work-integration social enterprises). While providing these services, **the non-profit organisations, rather than competing with the market, are adding value in terms of social cohesion, mutual support and building grass-root links and solidarity in the local communities.**

The employment potentials of care services and of the Social Economy should be further supported in the EU guidelines and better reflected in the national policies. Therefore, the 2013 Annual Growth Survey should highlight the importance of these two "employment niches" to MS and request them to adequately invest in them in their national policies.

**The concrete Caritas Europa proposals for the 2013 AGS priorities are presented in "Chapter 7: Recommendations" and the specific country-focused recommendations are included in the annex "Country Summaries".**

<sup>15</sup> European Commission, 2012: The 2012 Ageing Report. Economic and budgetary projections for the 27 EU Member States (2010-2060): [http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2012/pdf/ee-2012-2\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-2_en.pdf)

<sup>16</sup> European Commission, 2011: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation.

## Challenges ahead

- ➔ The Caritas MOs identified some challenges for the employment policies and actions that could be implemented in order to mitigate the negative trends on the labour market and to boost the employment. The can be classified as follows:
  - ➔ Those referring to the need of **tackling specific problems or/and of targeting groups at greater risk of unemployment**: investments in the employment of young people (re-skilling and up-skilling), women (child-care provision), elderly employment, people with disabilities and other vulnerable groups such as Roma and migrants, reducing the gender gap and gender imbalances in employment, taking measures against long-term unemployment (Germany, France, Bulgaria, Lithuania, Slovakia and UK).
  - ➔ Those concerning **taxation, incomes and benefits**: for instance, to reduce the effective tax and social security burden on labour especially for low-income earners and raise the minimum pension resulting in a reduction of poverty rates in old age (Austria). The minimum pension (equalisation supplement reference rate) needs to be raised more strongly in order to reduce poverty in old age (France).
  - ➔ Those related to the **adjustments and improvements of labour and vocational training systems**, in order for young people (Cyprus, Czech Republic), adults in long term unemployment (Slovakia), or migrants (Luxembourg) to meet the demands of the labour market.
  - ➔ Those referring to the need to improve the **effectiveness of active labour market policies** and the capacity of the public employment service (e.g. Slovakia).
  - ➔ Those regarding the **reduction of regional disparities** have been identified as a main priority for some countries (Italy, Belgium), as well as those concerning the reduction of the disparities between urban and rural areas (Lithuania).
  - ➔ Those related to tackling the increasing **duality on the labour markets** (France) and labour market segmentation (Slovenia), and to providing additional support to employment services (Spain).

# 03 Education

The infographic features a silhouette of a person walking on a path that leads to a large arrow pointing right. The path is divided into two sections: '2020 EDUCATION TARGET' and 'ANNUAL GROWTH SURVEY 2012\*'. The '2020 EDUCATION TARGET' section lists two goals: reducing school drop-out rates to below 10% and ensuring at least 40% of 30-34 year olds complete third level education. The 'ANNUAL GROWTH SURVEY 2012\*' section provides context, noting that early school leaving averaged 14.1% in 2010 (down from 14.4% in 2009) and that the EU tertiary attainment rate has increased from 32.3% in 2009 to 33.6% in 2010, suggesting the 40% target could be met.

2020 EDUCATION TARGET	ANNUAL GROWTH SURVEY 2012*
<ul style="list-style-type: none"><li>➔ Reducing school drop-out rates to below 10%.</li><li>➔ At least 40% of 30-34 year olds completing third level education.</li></ul>	<ul style="list-style-type: none"><li>➔ Early school leaving still averaged 14.1% across the EU in 2010 compared to 14.4% in 2009. However, the figure hides considerable differences between and within countries.</li><li>➔ The EU tertiary attainment rate has increased from 32.3% in 2009 to 33.6% in 2010 and current trends suggest that the headline target of 40% could in fact be met for the 30-34 year old age group.</li></ul>

\* Presented on 23/11/2011

## 3.1 The context

The overall EU target of early school leaving (ESL) may not be reached on the basis of current national commitments. The national targets suggest that an ESL rate of 10.5% would be achieved by 2020, thus missing the common EU target of 10%.<sup>17</sup> ESL still averaged 13.5% across the EU in 2011 compared to 14.4% in 2009 and 14.1% in 2010, which means progressive decrease. This global EU figure hides considerable differences between countries but also within countries.

The current situation demonstrates a large diversity of situations in the EU. While in several countries ESL rates is far below 10% (Czech Republic, Luxembourg, Poland, Slovenia, Sweden and Slovakia), in others rates rank over 15% or even past 30% (Spain, Malta, Portugal or Romania). The general trend has been positive in the last few years. For instance, the three countries that are still far from reaching the goal (Portugal, Malta and Spain) made substantial progress in their respective situations. However, in other countries the target is far from being reached or the situation has worsened (Belgium and Hungary).

<sup>17</sup> European Commission, 2012: Annual Growth Survey - Annex Progress Report on the Europe 2020 Strategy to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions.

The EU education headline target measured in two headline indicators has also been disaggregated at the national level, entailing wide disparities between MS. While in several countries (Bulgaria, Italy, Latvia, Romania and Spain) the target related to ESL is substantially lower than the EU target, in other MS the target surpasses it by more than 2 p.p. (Czech Republic, Ireland, Finland, Poland Slovakia and Slovenia); in the case of the UK, there is no national target; it is also interesting to draw attention to the case of Malta, where the national target is 19 p.p. below the EU target. As regards the distance that must be cut in order to reach the national ESL target between 2011 and 2020, many MS will have to cover less than three p.p., while others will have to make a much more significant effort, as is the case of Greece, Italy and Malta (more than 3 p.p.), or Portugal and Spain (more than 10 p.p.).

**Table 2 Performance of EU Member States on EU 2020 Strategy education target**

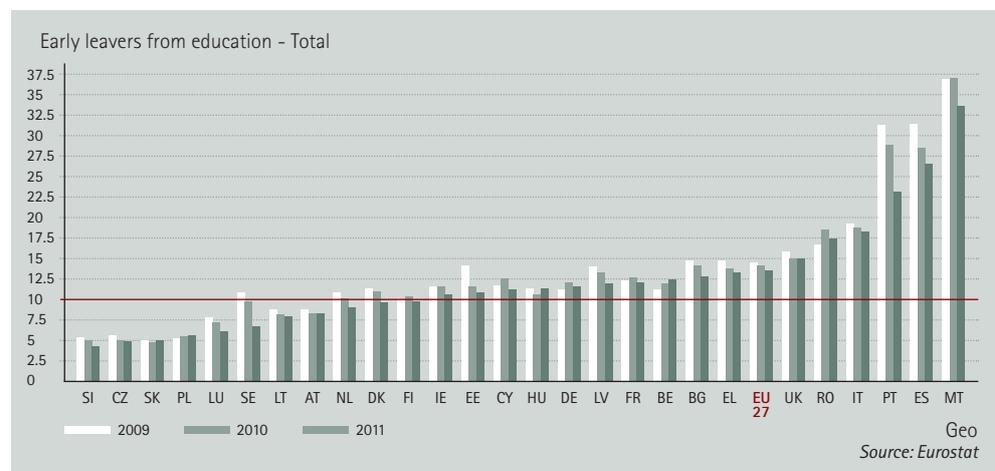
EDUCATION				
Country	Early School Leaving < 10%		Tertiary Educational Attainment at least 40%	
	2011 ESL rate	Nat. Target	2011 TEA rate	Nat. Target
Austria	8.3%	9.5%	23.8%	38%
Belgium	12.3%	9.5%	42.6%	47%
Bulgaria	12.8%	11%	27.3%	36%
Cyprus	11.2%	10%	45.8%	46%
Czech Republic	4.9%	5.5%	23.8%	32%
Denmark	9.6%	< 10%	41.2%	At least 40%
Estonia	10.9%	9.5%	40.3%	40%
France	12%	9.5%	43.4%	50%
Germany	11.5%	< 10%	30.7%	42%
Greece	13.1%	9.7%	28.9%	32%
Finland	9.8%	8%	46%	42%
Hungary	11.2%	10%	28.1%	30.3%
Ireland	10.6%	8%	49.4%	60%
Italy	18.2%	15-16%	20.3%	26-27%
Latvia	11.8%	13.4%	35.7%	34-36%
Lithuania	7.9%	< 9%	45.4%	40%
Luxembourg	6.2% <sup>u</sup>	< 10%	48.2%	40%
Malta	33.5%	29%	21.1%	33%
Netherlands	9.1%	< 8%	41.1%	> 40% (45%)
Poland	5.6%	4.5%	36.9%	45%
Portugal	23.2%	10%	26.1%	40%
Romania	17.5%	11.3%	20.4%	26.7%
Slovakia	5%	6%	23.4%	40%
Slovenia	4.2% <sup>u</sup>	5%	37.9%	40%
Spain	26.5% <sup>p</sup>	15%	40.6%	44%
Sweden	6.6% <sup>p</sup>	< 10%	47.5% <sup>p</sup>	40-45%
United Kingdom	15%	---	45.8%	---

u: unreliable according to Eurostat p: provisional according to Eurostat ---: no target set Source: Eurostat

ESL is closely related to the people's employment opportunities and income levels, that is, to their personal and social progress, or lack thereof. Low ESL rates may result in the higher protection against unemployment although this correlation in some countries is lower due to the high rates of youth unemployment. Lower educational levels or lack of educational success is **interconnected with social disadvantages** and social exclusion; in fact, quality education is a key factor in social mobility and preventing the transmission of poverty to youth. Similarly, the **educational level achieved by parents is also a key determinant of their children's situation**. The educational profile of parents in situations of poverty is much lower than that of their peers. **More than 30% of poor children have parents who have not completed secondary school** (against 16% for all children), and only 16% of poor children have a parent with higher education (against 32% for all children).

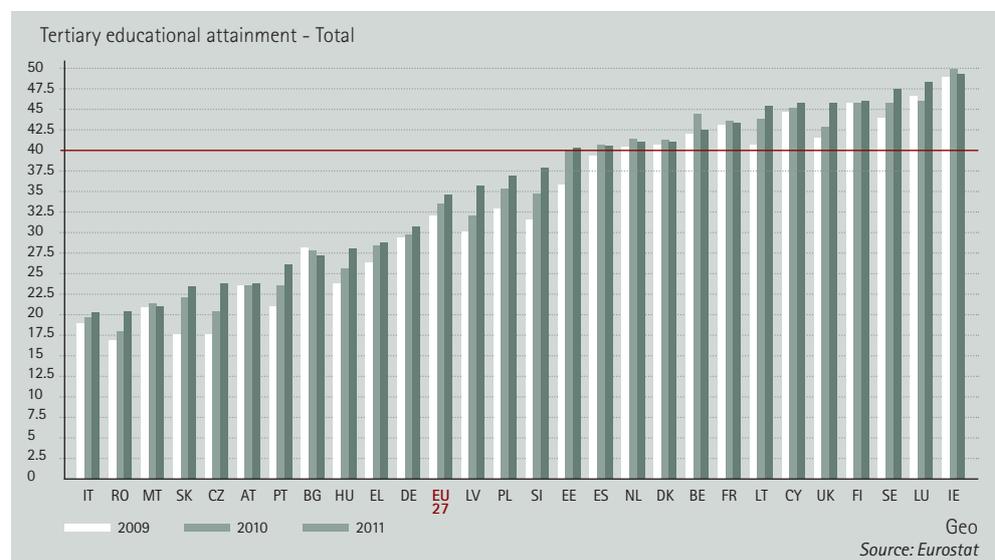
### Graph 3 Early leavers from education and training

Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training



With regard to tertiary education attainment (among 30-34 year olds), the cumulative effect of achieving the existing national targets set by MS would only lead to an attainment level of around 37% in 2020 on its own. However, the EU tertiary attainment rate has increased from 32.3% in 2009 to 33.6% in 2010 and 34.6% in 2011; current trends suggest that the headline target of 40% could in fact be met for the 30-34 year old age group.<sup>18</sup>

### Graph 4 Tertiary educational attainment, age groupe 30-34



<sup>18</sup> European Commission, 2012: Annual Growth Survey. Vol. 2/5.

In their assessments Several Caritas MOs pointed out that national figures on education don't show the real **imbalances and inequalities**. Often, there are geographical disparities (in Italy, Germany and Malta, between regions; in Lithuania, between urban and rural areas); in addition, most MOs reported higher degrees of inequalities between the general population and some vulnerable groups, especially people from migrant backgrounds (e.g. Austria, Belgium) or from Roma communities (e.g. Romania, Czech Republic).

Caritas MOs have reported that the indicators established by the Europe 2020 Strategy in relation to the education headline targets do not reflect appropriately **the problems of poor quality education** in some countries, regions or localities or disaggregate the targets according to those groups most affected by ESL, which also tend to be the most vulnerable in terms of income and employability (migrants, Roma, people with disabilities).

## 3.2

### Measures in progress and remaining concerns

In their assessment of national policies and situations the Caritas MOs provided their feedback on the achievability of the education – related targets. Their replies can be summarised as follows:

- ➔ Some Caritas MOs reported that **ESL targets are realistic** according to the current situation of the country and with the measures that have been implemented (Belgium, Bulgaria, Cyprus, Greece, Austria, Ireland, Lithuania, Malta, Poland, Slovenia and Slovakia); in some cases there are concerns about the official data provided (for instance, in Luxemburg the data provided by Eurostat and the Government registers a difference of almost 3 p.p.: 6.2% and 9%, respectively).
- ➔ Some Caritas MOs have considered the **targets too ambitious** (Germany) while others considered that it should be more ambitious (Luxembourg).
- ➔ Other respondents insisted that **ESL targets should be disaggregated by regions, rural or urban areas or by target groups** (including migrants); they also suggest deepening objectives by identifying other specific targets related to the quality and the conditions of education.
- ➔ Some MOs feel that **ESL objectives are not realistic or consistent with the economic and financial situation** nor with measures planned in the NRPs: achieving them fully would require more comprehensive measures (France, Spain).

#### Measures in progress

In their assessments Caritas MOs pointed that there have been some positive measures undertaken despite being in an initial phase (e.g. strategy for lifelong learning in Slovakia, strategy for improving the quality of education and vocational training in Portugal). In other countries, measures are in progress and seem to be giving some results; among others, the following measures have been highlighted:

- ➔ Support Programmes aimed at preventing ESL and targeting the most vulnerable groups, including appointing specialised professionals such as psychologists or counsellors as well as support services.
- ➔ Remedy Programmes such as second chance education Programme for assisting people who are out of the educational system to re-enter education and gain qualifications (e.g. France) or "Qualification by units" (CPU) system, as a result of which school failure in the last two years of compulsory education can be replaced by a system of permanent remediation (e.g. Belgium).

New measures were undertaken or were planned in the last year following the Council conclusions and the Commission's recommendations; some of the following were considered to have positive results and could therefore be undertaken by other countries:

- ➔ Plans to re-orientate education, particularly increasing the relevance of the education system towards labour market demand, in order to reduce youth unemployment and to get young people involved.
- ➔ Reinforcing vocational training by facilitating education schemes mixing education and apprenticeship so as to increase employment prospects, taking into account the fact that drop-out happen mostly in vocational training (e.g. Cyprus).
- ➔ Establishing national Programmes to support schools: focus on strategies aimed at preventing ESL (e.g. Bulgaria); Programmes targeted at addressing literacy problems i.e. the Literacy and Numeracy for Learning and Life in Ireland; UK has provided a £7.5 billion of funding for education and training of the 16 – 19 year old cohort.
- ➔ Designing and implementing positive actions targeted at certain groups at greater risk of ESL i.e. by providing compulsory school free of charge to migrants and making early assessments of migrant students' needs in some cities (e.g. Greece).
- ➔ Introducing new curricula at different stages of education: in the transition from primary or secondary education by developing key skills and new apprenticeship systems (e.g. Cyprus); at the upper secondary level by providing individualised and targeted support, entailing a new type of school, "Neue Mittelschule" (e.g. Austria).
- ➔ Facilitating education schemes mixing education and apprenticeship to prevent ESL in vocational training and second chance schools (e.g. Belgium, France and Luxembourg).

#### Remaining and new concerns

Several concerns that were identified in 2011 continue to be highlighted by MOs in 2012:

- ➔ Many Caritas MOs continue to be concerned that the reductions in public spending on education will impact disproportionately the people who find themselves already marginalized. This situation may be influencing the quality of service delivered as well as undermining the available support services for the most vulnerable.
- ➔ There continues to be a lack of assessment and accurate data on schemes which have been implemented.
- ➔ Migrants and Roma in some countries continue to be the groups most at risk of early drop-out including remaining problems of school segregation, exclusion from the mainstream system, illiteracy, etc. (Czech Republic, Bulgaria, Slovakia and Rumania).
- ➔ Reduction of budgets resulting in reducing specific Programme, staff, specialized teachers and up-to-date resources (Italy, Spain, Ireland).
- ➔ The problem of secondary students working during the day and attending evening school (informal work) has been reported by several Caritas MOs as an increasing trend among poorer families (Greece, Czech Republic).
- ➔ Some Caritas MOs have also informed about the lack of alternatives and activities for many young people (so-called NEETS - Not in Education Employment or Training) or a lack of a comprehensive strategy for education and training (Spain).

Caritas MOs also stressed concerns about the viability of policies and measures recently undertaken:

- ➔ Some Caritas MOs questioned the efficiency of the measures undertaken due to a lack of funding (drastic reduction of funds for staff and support measures) or due to the fact that in some cases these measures are not aimed at reducing ESL, but merely at doing something with early school leavers (e.g. France).
- ➔ The resistance to the planned reforms by different stakeholders (staff, parents, etc.), which in some cases is blocking their implementation (e.g. Cyprus).
- ➔ Environment and quality of the schools have been identified as an increasing matter of concern: students experiencing more difficulties are doubly penalised as they combine the fact of living in a disadvantaged family while attending a school where the environment is less conducive to learning; for instance, territorial divisions are very sensitive in big cities, due to the spatial concentration of social and educational difficulties (e.g. France).

### 3.3

## Challenges ahead and actions needed

The main challenges identified by Caritas MOs and ideas for actions that could tackle them can be grouped as follows:

- 01..... Preventing budget cuts as they are provoking a decrease in the quality of education, a reduction of staff and special programmes, etc., especially in countries that are suffering higher fiscal adjustments.
- 02..... Undertaking reforms and re-orientating education by matching skills with labour market demands, taking into account several drivers:
  - ➔ Modernising and upgrading the curriculum and contents for all public schools.
  - ➔ Increasing the relevance of the education system towards labour market demand.
  - ➔ Increasing access to modern technologies in schools.
  - ➔ Teacher training and increasing the allocation of teachers in disadvantaged areas.
- 03..... Increasing preventive policies and developing preventive measures by:
  - ➔ Supporting early childhood education as a precondition for avoiding early disadvantages.
  - ➔ Developing support Programme to prevent ESL, by compensating disadvantages and preventing absenteeism.
  - ➔ Providing support in the critical moments of the education itinerary, especially the transition between primary and secondary education, the end of secondary education and professional education or access to higher education.
- 04..... Tackling structural problems that are one of the causes of poor results in education. It is suggested that extra resources be provided, for instance, to reduce the number of pupils per class, increase the number of teachers/educational workers and improve their ability to retain students. This approach should be undertaken especially when there are great inequalities between regions and geographical areas, in deprived urban neighbourhoods and in some rural areas.
- 05..... Finally, there are some groups more at risk of ESL or of not being successful in education, e.g. migrants, Roma, people with disabilities, etc. Specific and adapted positive measures should be undertaken with these groups in order to compensate their situation.

# 04 Poverty

**2020 POVERTY TARGET**

- ➔ At least 20 million fewer people in or at risk of poverty and social exclusion.

**ANNUAL GROWTH SURVEY 2012\***

- ➔ This target will not be reached based on current national targets.
- ➔ According to current estimates, only 12 million people would be lifted out of poverty and social exclusion by 2020.
- ➔ If spillover effects of strategies focusing on combating child poverty or long-term unemployment are taken into account, this number can be increased by 25% (although this would still fall short by at least 5 million or 25% of the EU headline target).

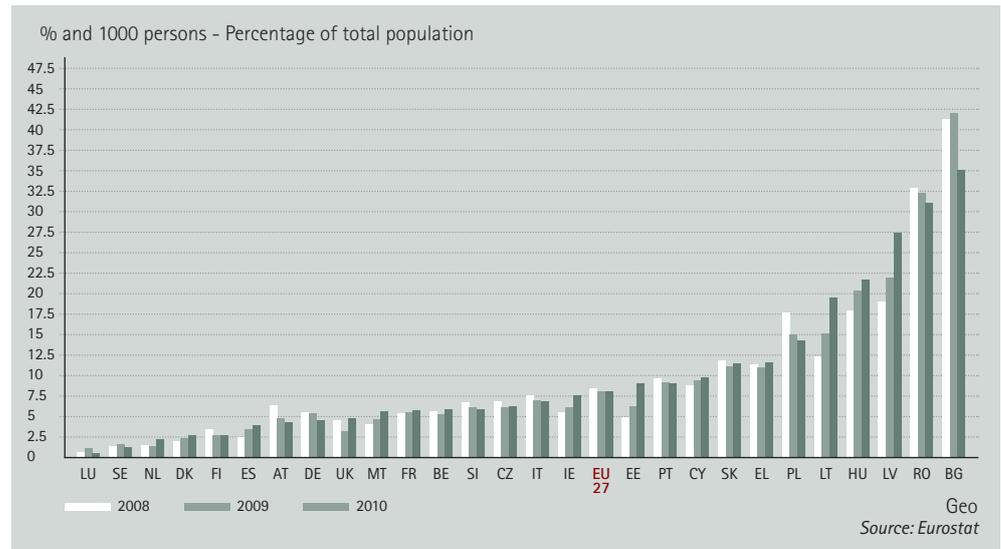
\* Presented on 23/11/2011

## 4.1 Combating poverty while reducing public expenditure?

The EU target of lifting at least 20 million people out of poverty and social exclusion by 2020 will unlikely be reached based on current national targets. According to the estimates around 12 million people would be lifted out of poverty and social exclusion by 2020. If spill over effects of strategies focusing on, for example, combating child poverty or reducing long-term unemployment are taken into account, this number could be increased by 25%. However, this would still fall short by at least 5 million or 25% of the EU headline target.<sup>19</sup>

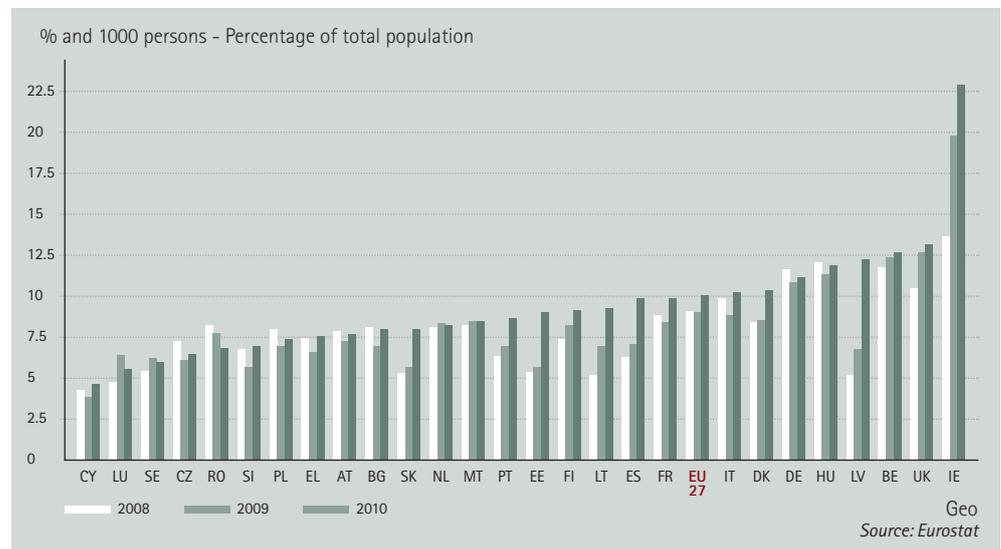
<sup>19</sup> European Commission, 2012: Annual Growth Survey. Vol. 2/5.

**Graph 5 Severely materially deprived people**



The poverty and social exclusion statistics demonstrate that in almost all EU countries more than 15% of the population is at risk of poverty or social exclusion (with the exception of Czech Republic). In several countries the rate even surpasses the figure of 25% (Greece, Latvia, Lithuania, Hungary, Portugal and Romania). This situation is even worse in countries suffering higher rates of material deprivation (Romania, Hungary, Latvia and Lithuania). Some of these countries (Latvia, Hungary) together with Ireland, UK and Belgium are affected by the highest share of people living in households with very low work intensity.

**Graph 6 People living in households with very low work intensity**



The EU poverty target has also been disaggregated nationally by establishing national figures of people to be lifted from the risk of poverty and social exclusion, though in most cases these national targets remain insufficient. It is interesting to note that not all the countries have presented a figure. For instance Estonia has proposed a percentage (15%), France and the UK have not presented a figure, Germany has focused on decreasing long-term unemployment (by 20%) and Sweden has proposed to reduce the percentage of people at risk of poverty and social exclusion to less than 15% by reducing the percentage of women and men aged 20–64 who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14 per cent.

**Table 3 Performance of EU Member States on Europe 2020 Strategy poverty target**

PEOPLE AT RISK OF POVERTY/SOCIAL EXCLUSION at least 20 million lifted out of poverty		
Country	2010 AROPE rate	Nat. Target
Austria	16.6%	- 235,000
Belgium	20.8%	- 380,000
Bulgaria	41.6%	- 260,000
Cyprus	23.6%	- 27,000
Czech Republic	14.4%	- 30,000
Denmark	18.3%	- 22,000
Estonia	21.7%	15%
France	19.2%	Not specified
Germany	19.7%	Decrease long-term unemployment by 20%
Greece	27.7%	- 450,000
Finland	16.9%	- 150,000
Hungary	29.9%	- 450,000
Ireland	29.9%	- 200,000
Italy	24.5%	- 2,200,000
Latvia	38.1%	- 121,000
Lithuania	33.4%	- 170,000
Luxembourg	17.1%	- 6,000
Malta	20.6%	- 6,560
Netherlands	15.1%	- 100,000
Poland	27.8%	- 1,500,000
Portugal	25.3%	- 200,000
Romania	41.4%	- 580,000
Slovakia	20.6%	- 170,000
Slovenia	18.3%	- 40,000
Spain	25.5%	- 1,500,000
Sweden	15%	< 14% <sup>i</sup>
United Kingdom	23.1%	---

i: reducing the percentage of women and men aged 20–64 who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14 per cent by 2020.

---: no target set

Source: Eurostat

Reductions of the rates of poverty and social exclusion are closely related to the levels of social protection and to the efficiency of social transfers: **an adequate social protection system** is not a guarantee but it is **the first pre-condition to prevent people from falling into poverty**. While supporting the statement of the European Economic and Social Committee that the austerity measures and EU policies focusing on economic governance, growth and employment put in place across the EU should not increase the risk of poverty,<sup>20</sup> Caritas MOs are of the opinion that **fiscal adjustment and economic measures** are not only reducing the quality and accessibility of services but also **worsening the position of the most vulnerable groups** in society.

Moreover, Caritas MOs stress that **current statistics and figures are not reflecting recent trends**, especially for countries suffering from more stringent budgetary adjustments, and do not always illustrate the multidimensional nature of social exclusion. In fact, the rapid budget cuts and structural reforms are diminishing welfare services and creating new barriers or restrictions to their access, a situation that is pushing an increasing number of people out of the system (**many MOs are dealing with an increasing number of people in this situation**).

<sup>20</sup> European Economic and Social Committee, 2011: The future of the labour market in Europe - in search of an effective response to demographic trends: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:318:0001:0008:EN:PDF>

In general terms there was no progress between 2009 and 2010 in terms of poverty reduction; on the contrary: the EU average rate of poverty and exclusion has increased and the national rates have increased in all countries, except in Sweden, Austria, Luxembourg, Estonia, Romania, and Bulgaria. This worrying situation has led MOs to question the **credibility of the Europe 2020 targets in that area and the lack of commitment of national governments and of the EU to this matter**. For instance, many MOs stressed that while the fiscal adjustments agenda has been implemented rapidly with very concrete monitoring and control mechanisms, it is not the case for poverty targets, which are receiving weak attention and monitoring. Current trends indicate that **lifting a mere 12 million people out of poverty (60% of the original target) and social exclusion by 2020 may not even be achievable with the continuation of current trends**.

## 4.2

### Progress and changes between 2011 and 2012

Given that Caritas Europe considers that **combating poverty should be at the heart of the political agenda at the European and national level** the MOs provided their assessment on whether the national poverty targets are realistic and achievable:

- ➔ Many Caritas MOs consider that **targets will not be achieved** if no urgent measures are adopted to overcome the situation. Some have referred to the need for **political will** while others referred to the need of **changing the direction of current measures** and introduce new ones with a stronger impact on poverty (Belgium, France, Italy, Ireland, Lithuania, Greece, Portugal, Slovakia, Spain).
- ➔ Few MOs reported that **poverty targets are realistic** according to the current situation of their country and with the measures that are under implementation (Malta, Cyprus); Caritas Romania reported that whilst the target has been reached it will be difficult to maintain.
- ➔ Some MOs consider that the **objective could be achieved despite the fact that current measures foreseen are not sufficient** to reach the target (Luxembourg) and others think that they should be more ambitious in their country and/or concentrate on the most vulnerable subgroups within their target group (Austria, Germany).
- ➔ Many MOs stressed that **new indicators or sub targets should be taken into account** in order to better measure the phenomenon of exclusion and in order to follow a more focused approach (UK, Belgium and Ireland).

The following issues identified in the 2011 Caritas Europa Shadow Report remain major concerns:

- ➔ The need to **overcome the narrow and overly simplistic approach consisting in targeting poverty and social exclusion merely through labour market policies**, which results in excluding an increasing number of people experiencing in-work poverty from these policies, as well as other groups like children and people with disabilities who cannot access the labour market.
- ➔ The need to develop a **comprehensive impact assessment of the fiscal measures and the structural reforms undertaken from the perspective of social inclusion**.
- ➔ The need to develop **appropriate services with sufficient resources** in order to assist excluded groups and to prevent reforms from undermining their situation.
- ➔ The need to pay attention to **housing issues as a new factor of exclusion**, especially in those countries where the economic crisis is associated to the banking and construction sectors.
- ➔ Among the most vulnerable groups, many MOs have referred to migrants, in the case of Eastern European countries to the Roma and in the UK to gypsies and travellers.

## The worsening situation of Roma and migrants

Many Caritas MOs continue to express their concerns about the situation of Roma in the EU and in MS.<sup>21</sup> The Roma population constitutes one of the largest ethnic minorities in Europe (between 10 and 12 million citizens). This minority is spread throughout the European continent but is highly concentrated in Central and Eastern Europe. Across Europe, real progress in improving the living conditions and opportunities for Roma remains limited. Especially in certain countries, a high proportion of Roma persons are affected by extreme poverty and social exclusion. The Roma are the most marginalised ethnic group in Europe, facing deep social problems related to low educational levels, high unemployment, inadequate housing, poor health and wide-ranging discrimination, all of which are interrelated and create a vicious circle of social exclusion. This situation is worsening due to the current economic crisis and the growth of racist discourses and movements.

With the exception of specific Roma groups and individual cases, the socio-economic gap between Roma communities and the majority population in the past two decades remains unchanged.<sup>22</sup> The vicious circle of the intergenerational transmission of poverty and social exclusion is determined in many cases by the lack of guarantee of rights, persistent discrimination activated by growing racism on the part of the majority of the population, spatial segregation, lack of access to public services and the absence of consistent policies aiming to overcome these trends; this situation has also been aggravated in many Western European countries (e.g. France, Italy) upon receiving Roma from Eastern European countries mainly from Romania and Bulgaria.

Several MOs have reported that the Roma are largely excluded from the mainstream services as well as from the labour market training opportunities and access to the mainstream education resulting in exclusion and discrimination (e.g. Slovakia, Romania). The transitory measures adopted for people from Romania and Bulgaria are preventing them from accessing employment and are having a devastating impact on Roma population (e.g. France).

The crisis has fuelled a growth of pre-existing xenophobic attitudes and discourses chastising immigrants for being disproportionately dependent on welfare states and legitimising the imposition of increasingly restrictive social policies and benefits towards irregular immigrants. Furthermore, the implementation of social integration measures is deeply affected by stringent budget cuts in this field. Immigrants thus find themselves under the pressure of xenophobic impulses and more restrictive social and immigration policies.

Migrant families are particularly visible in poverty statistics and the income levels tend to stay low for a longer period, in some cases a figure three times the average (e.g. Netherlands). At the same time students from immigrant families and those from the first generation are exposed to at least two times more risks to be among the low achievers (e.g. France). The decrease of the budget allocated to education by many MS is negatively influencing the immigrants' educational results.

Migrants were among those vulnerable groups that have been disproportionately negatively impacted by the global economic crisis: migrants are concentrated in the sectors that have been affected most deeply by the crisis, and many of them have poor qualification which results in the inability to transfer to other labour activities (e.g. Luxembourg). This is a particularly notable tendency in the countries receiving support through the European stabilisation mechanisms (Spain, Greece) in Southern Europe. The geo-economic position of Southern European countries within global migratory flows shifted radically from poles of emigration to poles of immigration in the past two decades. Immigration in these countries has been fostered primarily by expansive labour markets and characterised by substantial increases in labour intensive and relatively low productivity sectors such as construction and services (including domestic services), in addition to the traditional seasonal labour in agriculture. The latter are precisely those sectors where the informal economy has been thriving and where opportunities are ripe for underemployment, denials of labour rights, exploitation and discrimination.

<sup>21</sup> This report uses the general term "Roma" to refer to a number of different groups (Roma, Sinti, Kale, Romanichels, Boyash, Ashkali, Egyptians, Yenish, Travellers, Dom, Lom, etc.) identified as such by the Council of Europe, by representatives of the aforementioned Roma groups in Europe and various international organisations (OSCE-ODIHR, European Commission, UNHCR and others). Supporting documentation available at: [http://www.coe.int/t/dg3/romatravellers/default\\_en.asp](http://www.coe.int/t/dg3/romatravellers/default_en.asp)

<sup>22</sup> World Bank, 2005: Roma in an expanding Europe: breaking the poverty cycle: [http://siteresources.worldbank.org/EXTROMA/Resources/roma\\_in\\_expanding\\_europe.pdf](http://siteresources.worldbank.org/EXTROMA/Resources/roma_in_expanding_europe.pdf).

In a context where governments and the EU are making an effort to rationalise and control migration flows in accordance with labour market needs, the reality of the crisis and the growing restrictive immigration policies are forcing a **greater proportion of immigrants out of formal employment and of social protection systems and towards irregular situations** (a growth in irregular immigration generally favours a growth of labour exploitation).

#### Poverty reduction: Scarce new positive developments and increasing worrying situations in 2012

In their assessments Caritas MOs have identified some **positive initiatives** that might contribute to supporting people experiencing poverty and social exclusion:

- ➔ Cyprus has designed a comprehensive approach to support people experiencing exclusion but its implementation is pending.
- ➔ Austria is implementing a positive mix of policies (labour market, education, investments in social infrastructures).
- ➔ Luxembourg is increasing and extending childcare services.
- ➔ Belgium has adopted positive measures for people with disabilities, older people, homeless, children, etc.
- ➔ The Czech Republic has implemented social reforms in relation to pensions, social protection, housing and disabilities.
- ➔ Slovenia has undertaken social activation measures and increased the income for the most vulnerable groups.

In spite of this, most Caritas MOs have identified **new problems or worrying situations** that are reportedly getting worse:

- ➔ The **increasing deterioration of public services** is rapidly becoming visible: polarisation, problems of accessibility and degradation of public systems by **excluding people from accessing general services** (e.g. Spain); excluded people (homeless and other groups) feeling abandoned by institutions (e.g. France); limited access to rights due to increasing bureaucracy and the complexity of the services or **the establishment of new rules that in fact create barriers** (e.g. UK). Several MOs have reported the complexity of the whole health and welfare system restraining the access to primary care to vulnerable population.
- ➔ Despite the fact that policies to fight exclusion have been numerous, there is a lack of real improvement resulting in partitioning schemes, precarious funding and increasing bureaucracy for their implementation that seriously impair the legibility of goals and collective performance, both for stakeholders and for the alleged beneficiaries (e.g. Malta, Romania).
- ➔ A major concern is the **postponement of the measures** (e.g. Luxembourg in the health system) or measures that are nice on paper but that are not working on the ground (e.g. Malta) or **that are not being implemented due to lack of budget**.
- ➔ The reduction of subsidies is very frequent (e.g. Austria) as well as the lack of adequate measures to tackle extreme poverty or targeted at homeless people, people with addictions or in general the long-term unemployed facing additional problems (e.g. Ireland [adult literacy], Germany).
- ➔ It has been reported that most measures aimed at reaching the target have put the focus on reducing the intensity of monetary poverty but do not necessary remedy or change the pattern of the poverty rate itself. In most cases, minimum income is already below the poverty threshold despite being complemented with child benefits, free public transports, free child care and other allocations which lift the people above the poverty line (e.g. Luxembourg).
- ➔ Problems of accommodation, diminishing social housing support as well as related services (access to energy supply, etc.) have been aggravated in 2011 including in some cases financial penalties (e.g.. UK, Lithuania).

- ➔ Situations in which people have difficulties to get basic nutrition are more frequent, which is causing a deterioration of human dignity (e.g. Greece).
- ➔ Some countries continue to overlook or deny the existing problems of poverty.
- ➔ Last but not least, there is an increasing worry among Caritas MOs regarding an excessive tolerance of inequality, which is a major component of poverty.

## 4.3 Child-poverty and transmission of poverty to youth

Graph 7 At-risk-of poverty rate by detailed age group



### Child poverty

Child poverty and social exclusion, although different in shape and form, are problems that all European MS have in common. In most countries, the risk of being affected by poverty and social exclusion is greater for children than for adults. Child poverty is recognised as a multidimensional problem which requires urgent action in the fields of social, economic, health, environmental and cultural policies. Growing up in poverty may affect every area of a child's development and may have severe long-term consequences: restraining children from achieving their full potential; adversely affecting their health; inhibiting their personal development, education and general well-being. In fact, there is a direct link between being poor and disadvantaged in young age and being poor and disadvantaged in adulthood.

Child poverty is therefore a major concern for most Caritas MOs due to the fact that poor children experience a disproportionate share of deprivation. Child poverty rates have been persistently high over the last years in the EU and have increased to 20.5% in 2010. In some countries, rates are over 25% and have been increasing in the last three years (Spain, Latvia, Belgium and Romania). Four out of six MS with the highest poverty rate among youth (16-24) are also among the six EU countries with the highest levels of child poverty. Given that three out of these four countries are also experiencing the highest youth unemployment rates in the EU there is a huge risk that children will continue living in poverty when they enter adulthood.

Employment and earnings from work constitute the best remedy to minimise people's risk of becoming poor. In general social transfers reduce the at-risk-of-poverty rate significantly. In fact, having well remunerated work provides some resilience to poverty. This is all the more true for families with children: **the impact of not working or working part-time is stronger for families with children than for families without children as the risk of poverty is much higher.** On average in the EU-27, more than half of children in families with no or very weak attachment to the labour market are at risk of poverty. Access to the labour market is especially difficult for **lone parents and larger families.** Without appropriate, accessible and affordable childcare services or care facilities for other dependent relatives they cannot optimise their working or training opportunities.<sup>23</sup>

The experience of some countries (e.g. Cyprus) demonstrates that the introduction of cash benefit for single parent households with dependent children will not work without other complementary measures. Measures providing adequate education and healthcare services should be **complemented with social housing schemes** to ensure that all people and especially **young families experiencing social exclusion have access to a decent home** (Lithuania). Indeed, **poor housing influences the intergenerational transmission of poverty.** Growing up in **poor or overcrowded housing has been found to have a lasting impact on a child's health.** Children face a greater chance of experiencing severe ill-health and disability (meningitis, infections, respiratory constraints, behavioural or mental health problems, etc.), especially homeless. In addition, **children in situations of poverty are more likely in the future to have low self-worth, low educational attainment and to engage in risk-taking behaviours** due to the inter-generational transmission of poverty.

**Families play a key role in fostering social inclusion.** Solidarity within the family contributes to social security and generates a feeling of companionship. A healthy family life gives children the opportunity to establish and maintain a fulfilling relationship with their parents and other family members. This helps to provide them with resilience when confronted to a range of social problems (e.g. anti-social behaviour, drug abuse, criminal activity). However, a dysfunctional family can be the starting point of a social exclusion process, e. g. when families break up, or when violence and abuse occur within the family.

The educational level achieved by parents is also a key determinant of their children's situation. Being born in a family with a low-educational background diminishes the chances of achieving a high level of education. Also, **children of skilled manual workers are up to three times less likely to become managers, professionals or technicians** than children whose parents are in such employment.

The governments tend to address this issue through family policies that promote employment opportunities for parents and provide for the conciliation of work and family life.

Without denying the value of this approach, it is necessary to recall that **family benefits and income support are also a crucial aspect** in this regard. The EPSCO Council Conclusion in 2011 agreed that it is necessary to follow a **three-pillared approach focused on adequate family income**, access to services, particularly quality childcare and early-learning and children' rights to be heard.<sup>24</sup> This approach should also be included in the Commission's Recommendation on Child Poverty, which is due to be published before the end of 2012. Caritas Europa calls for adopting the **child-specific, multi-dimensional, rights-based approach** to tackling child poverty based on the standards and principles enshrined in the UN Convention on the Rights of the Child. This approach should follow the three pillars (1) access to adequate resources; (2) access to quality services; and (3) opportunities for children's participation in all matters that affect them.<sup>25</sup>

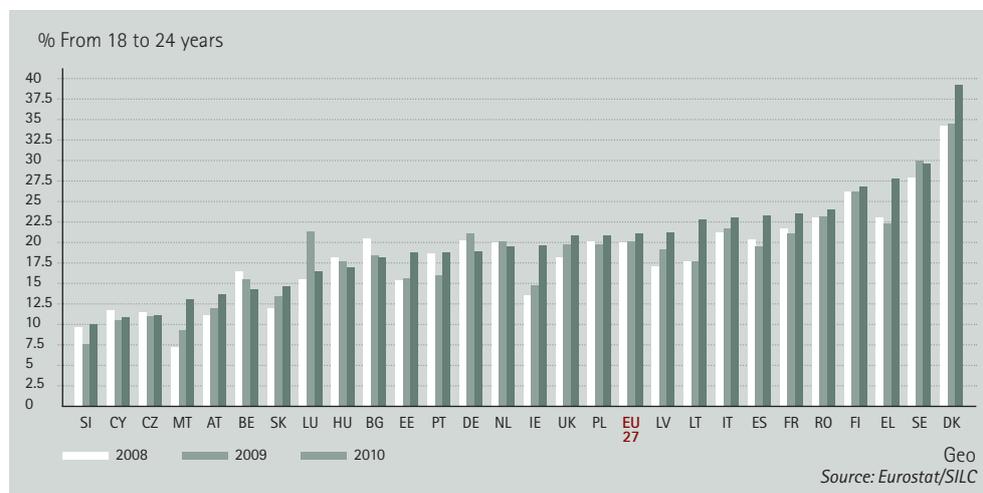
<sup>23</sup> Caritas Europa, 2011: Child poverty. State of play in Europe: <http://www.caritas-europa.org/module/FileLib/Stateofplay.pdf>

<sup>24</sup> Council of the EU, 2011: Council conclusions Tackling child poverty and promoting child well-being: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/lisa/122878.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/lisa/122878.pdf)

<sup>25</sup> United Nations, 1989: Convention on the Rights of the Child:

## Poverty among youth

Graph 8 At-risk-of poverty rate by detailed age group



In most of the EU countries (except in the case of Belgium, Luxembourg and Bulgaria) the rate of people between 18 and 24 at risk of poverty and social exclusion has increased in the last year, resulting in the average of 21.1%. Among the data and initiatives reported, some Caritas MOs have identified the fact that the increase in child poverty is concentrated among the non-student young people, large families or single parents, immigrants and people living in deprived areas. Secours Catholique (France) notes an increase in their services to families with children (from 50.4% in 2009 to 52.7% in 2010) and foreigners.<sup>26</sup> Other MOs reported that young people who have lost their jobs (and who are not entitled to social benefits if hired with an atypical contract) often went back to live with their parents, where at least one income is guaranteed (e.g. Italy).

On the other hand, poverty may also affect young people who have not experienced poverty during their childhood. As a result of the crisis and the difficulties faced by young people when accessing the labour market, help from parents can be of crucial importance in helping to prevent young people from falling into poverty. It is particularly visible when young people attempt to move to their own households. During the first year of independent living, the risk of poverty rises in relation to the period during which they lived with parents. The increase of youth poverty is observed across Europe, especially among young people without the support of their parents. Given the longevity of the crisis, the "safety nets" of parental support may also reach their limits, which may lead to growing poverty among this group.

For this reason tackling youth poverty should become a priority on the agenda for the coming years and the measures should be developed and funds earmarked in the NRPs to overcome this situation.

Given that poverty during the childhood can be one of the main factors for poverty among youth, Caritas Europe continues to recall the need to follow its Ten Pack of recommendations proposed on child poverty, in particular recommendation number eight which focuses on the need to set annual targets for tackling child poverty as part of MS's NRPs.<sup>27</sup> The MS should be required to set specific sub-targets relating to child poverty in their NRPs in consultation with all the relevant national and local authorities, as their contribution to the headline European poverty-reduction target. Progress towards achieving these child poverty reduction targets should be monitored in the evaluation of the implementation of the NRPs.

<sup>26</sup> Secours Catholique, 2010 : Statistiques d'accueil 2010.

<sup>27</sup> Caritas Europa, 2011: Child Poverty. Ten pack of recommendations: <http://www.caritas-europa.org/module/FileLib/ChildPovertyTenPackLight.pdf>

If the children and youth are not supported now, the costs of doing so when they are adults will be considerably higher, whether they are using health services because of chronic ill health, receiving benefits because of poor educational outcomes, in situations of recurrent or long-term unemployment or confined to low-paid employment, in situations of homelessness or in prison as a result of engaging in criminal activities as a way of getting by.<sup>28</sup> For these reasons, complex actions are urgently needed to tackle child poverty and its various dimensions and consequences.

Therefore there is an urgent need of tackling child poverty through the mixture of measures related to the various dimensions of this phenomenon.

Despite the fact that official data shows that child poverty and the transmission of poverty to young people are becoming a major concern, these two challenges have not been so far reflected neither in the preceding 2011–2012 Annual Growth Surveys nor widely addressed through the country specific recommendations. The 2013 Annual Growth Survey should therefore highlight the importance of actions targeting this human and social challenge and Commission should call on the Member States (also through the 2013 CSR) to implement concrete measures tackling this one of the main social challenges in Europe.

The concrete Caritas Europa proposals for the 2013 AGS priorities are presented in "Chapter 7: Recommendations" and the specific country-focused recommendations are included in the annex "Country Summaries"

## 4.4

# In-work poverty and minimum income

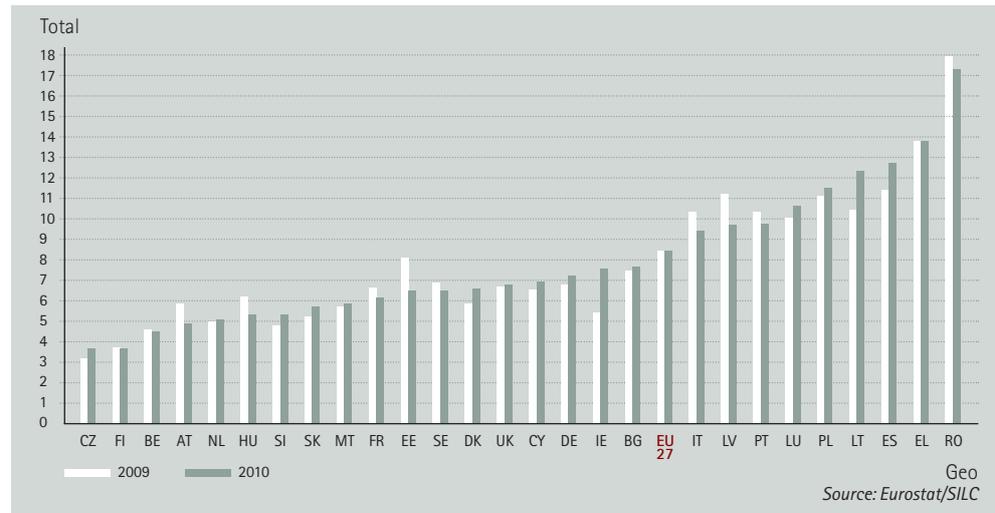
## In-work poverty

Although NRPs address employment growth as a major challenge and it is presented as the main springboard to prevent or reduce social exclusion, figures demonstrate that an increasing number of working people are at risk of poverty. For instance, the EU rate was 8.5% in 2010, reaching 17.3% in Romania, 15.5% in Poland, 13.8% in Greece, 12.3%, in Lithuania and 12.7% in Spain.

In-work at risk of poverty rates have been high in the EU in the past five years and have increased in some of the aforementioned countries. In-work poverty in the EU is becoming a systemic challenge, as its rate had not even dropped during the period of economic growth preceding the crisis. Over the past decade or so, the EU in-work poverty rate averaged 7.3–9% while in some MS it reached more than 15% (Poland, Romania) and in several it was above 10%. In the context of a decline and segmentation of the labour markets, **in-work poverty has been growing in the majority of EU countries**. The causes of in-work poverty are linked with the mixture of different factors related to wages, family composition, education and occupational skills. Therefore, the active labour market policies targeted at persons at risk of poverty or exclusion should go hand in hand with high-quality support services, since employment cannot be considered anymore as an efficient stand-alone remedy against poverty.

<sup>28</sup> Keenan, Rosemary, 2012: The Urgent Need to Tackle Child Poverty in Europe. Speech delivered during the Caritas Europa Seminar on tackling child poverty, Brussels, June 2012; info on the event: <http://www.caritas-europa.org/code/EN/soci.asp?Page=1406>

Graph 9 In-work at-risk-of-poverty rate



There are several factors linked to being at risk of in-work poverty. In the majority of UE countries **in-work poverty decreases with the age of workers**, which can be explained by the fact that young people often start their careers with low-paid jobs. These risks also decrease with the level of education: low education is typically associated with a high risk of in-work poverty. Beyond individual characteristics, the incidence of in-work poverty is connected to household composition where **lone parents with dependent children face the highest risk of in-work poverty**, influenced by occupational factors such as **low pay, uncertain and bad quality employment** and the inability to find full-time work. According to some surveys, having a job for less than a full year, being employed on a part-time basis or having temporary employment contracts strongly raise the risk of in-work poverty. Moreover, **self-employed persons in the EU have a three time higher risk of being poor than employees.**<sup>29</sup>

In a context of decline and deterioration of the labour markets and working conditions, improving the quality of employment is not a prominent issue on the Europe 2020 and European Semester agendas. Despite guidelines 7 and 8,<sup>30</sup> and despite other European documents, arguing in favour of reducing precariousness and in-work poverty and supporting living wages and sustainable employment national policies, **in most NRPs the dignity and quality of the employment has not been taken into account.**

Employment has to be placed in juxtaposition with the issue of **fair remuneration for work**: even in cases of full-time work, the hourly payment can still be insufficient to ensure a decent living for the employee and his or her family. Moreover, some **activation policies that were supposed to combat poverty might have had the opposite effect, aggravating certain situations.** The paradoxical situation of a disproportional increase in the number of working poor was observed in the countries which created most employment in 1990s. This can be explained by the fact that **activation jobs themselves are often of rather poor quality (part-time, temporary and low-paid).** Moreover, whenever the beneficiaries are unable or unwilling to fulfil the behavioural criteria set, **sanctions force them into more severe poverty.** Last but not least, unemployment benefits have been kept low and of short duration in many countries in order to keep low-quality jobs attractive.<sup>31</sup>

It is also worth mentioning that in-work-poverty has a devastating impact on families: **13% of children living in households at work are living below the poverty threshold.** However this proportion is much smaller than the proportion for children in households which are jobless or where the attachment to the labour market is partial.<sup>32</sup> The elements of the Active Inclusion

<sup>29</sup> Eurofound, 2010: "Working poor in Europe": <http://www.eurofound.europa.eu/>

<sup>30</sup> European Commission, 2010: Europe 2020: Integrated Guidelines for the Economic and Employment Policies of the Member States: <http://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf>

<sup>31</sup> "Building the tools to fight in-work poverty": Synthesis Report, HIVA and Dept. of Education Sciences, KU Leuven, 2011: <http://www.peer-review-social-inclusion.eu/peer-reviews/2011/building-the-tools-to-fight-in-work-poverty>

<sup>32</sup> Caritas Europa, 2011: Child poverty, State of play in Europe: <http://www.caritas-europa.org/module/FileLib/Stateofplay.pdf>

Strategy do not seem to be put into practice simultaneously; the main focus in helping people facing social exclusion is put on increasing their employability. As a consequence of a high supply of temporary and low-paid jobs, the risk of being trapped in in-work poverty increases.

The working-poor represent across Europe a growing socio-economic group of flexible workers with under-valued skills and little work based identity. They live at the margins of flexible labour markets, moving in and out of mostly low paid employment, quite often below of poverty line or decent living wage. The lack of minimum income schemes in some countries or the low levels of social benefits is fuelling the increase of high in-work poverty levels or moving people into undeclared employment, especially in a context of declining labour markets.

## Minimum income

The aim of a minimum income is to secure basic financial resources to people. It therefore represents the possibility for people in situations of severe poverty to live with minimum dignity. In spite of the fact that minimum income schemes differ in the EU, benefits under the form of a minimum income are often targeted at people who are in the category of working age and have no other income possibilities. Minimum income is therefore a basic right, a human right that should be extended to all the countries to prevent people from living in severe poverty.

Most Caritas MOs have reported that the requirements for accessing minimum income benefits are increasingly stringent, often conditional upon actively seeking for a job. Adequate coverage of minimum income is far from being reached, quite the opposite, there is an increasing focus on punitive conditions, putting pressure on the most vulnerable groups, placing them under threat of sanctions and cuts in benefits, in most cases without real opportunities to access quality jobs (France, Belgium, UK). Another frequent concern is the lack of re-evaluation of payments hence maintaining people below the poverty line.

MOs have stressed that social benefits for vulnerable people and the elderly (e.g. in France RSA) remain very low in relation to the evolution of the purchasing power. In addition, these benefits reduce the intensity of monetary poverty but not the poverty rate itself (the amount is below the poverty line). Other MOs have stressed the importance of complementing minimum income with other material and social support (Luxembourg).

In addition, it was highlighted that an increasing number of people do not access minimum income schemes, whereas they are entitled to do so (for instance in France RSA). This "non-take-up phenomenon" occurs for different reasons: the feeling that there are situations more difficult than their own, the shame to ask for help, the discouragement and the lack of understanding of the situation in which these people are, the subjective feelings or past experience that forges the idea that institutions will not respond to their problems and expectations, the complexity of the procedures, the lack of precise knowledge and the will to figure out a way and, to a lesser extent, the desire not to depend on welfare.

Therefore there is an urgent need to tackle in-work poverty. Active labour market policies targeted at people in situations of poverty should go hand in hand with high quality support services, since employment cannot be considered anymore as a stand-alone efficient remedy against poverty. Minimum income schemes have to be understood in the NRPs as a useful tool to fight against poverty. The 2013 Communication on Annual Growth Survey should address the importance of actions targeting these two issues.

The concrete Caritas Europa proposals for the 2013 AGS priorities are presented in "Chapter 7: Recommendations" and the specific country-focused recommendations are included in the annex "Country Summaries".

## Challenges ahead

The main poverty-related challenges and actions identified by Caritas MOs as those that could contribute to diminishing poverty and exclusion can be classified as follows:

### In relation to social protection and minimum income schemes:

- 01 | Preserving the pillars of the welfare system (education, healthcare, minimum income, housing) and ensuring its ability to protect the most vulnerable people; this would imply overcoming the current trends in order to simplify the access to services by the most vulnerable groups.
- 02 | All retirement benefits should be at least aligned to inflation and the lowest ones should at least be raised over the poverty line.
- 03 | Ensure that every human being has the right to have sufficient means for a decent life (food, clothing, shelter, healthcare and access to social services). Governments should ensure that no one has an income lower than the minimum budget for a decent living.
- 04 | Reducing inequalities and disparities in the access to basic services, i.e. related to urban and rural areas, and between excluded neighbourhoods and disadvantaged groups through a variety of public policies, including EU cohesion policy.
- 05 | Ensuring equal access to social services as a right for all people living in the EU's jurisdiction.
- 06 | Adopting appropriate and effective NSR in coordination with NRPs, including clear targets, measures and budget.

### Concerning vulnerable groups and other factors leading to poverty:

- 07 | Concrete and immediate measures must be put in place aimed at preventing the migrants from experiencing exploitation and social exclusion. The potential impact of economic downturns on their situation must be anticipated and specific actions targeted at them implemented.
- 08 | Focusing specific actions and measures in the regions more at disadvantage in order to reduce regional and intra-regional disparities while identifying target groups in these regions and territorial areas.
- 09 | Developing comprehensive support networks offering additional services that are needed, in order to improve the life of disadvantaged people including specific measures targeted at extremely vulnerable groups i.e. Roma, homeless people, refugees and asylum seekers, people in long-term unemployment who face additional problems, etc.

# 05 The need to align Structural Funds with the NRP and Social Objectives of Europe 2020 Strategy

In 2011, Caritas Europa reported that Structural Funds (SF) are viewed as key mechanisms by which the priorities laid down in the Europe 2020 Strategy can be achieved; stressing that these financial instruments should focus on the possible impact this funding can have on the Europe 2020 goals by increasing effectiveness and careful targeting. Given the growing social challenges in Europe Caritas Europa, also through this report, would like to stress that MS should use SF as key instruments for implementing the social dimension of the Europe 2020 Strategy.

Caritas MOs reported that despite the fact that some NRPs refer to SF (Bulgaria, France, Germany, Italy, Ireland, Lithuania, Rumania, Spain and UK), in most of the cases questions remain concerning **what measures will be undertaken through these funds or what the budget allocation will be**. Accountability continues to remain a key issue: when reference is made to SF it does not always specify how they will be used to reduce poverty or social exclusion (e.g. Cyprus, France, Germany, Ireland). Other countries have provided detailed budgets for specific actions (e.g. UK).

In general terms, the ERDF is still primarily perceived as a tool to foster growth, big infrastructures, R&D infrastructures and renewable energies. Although the ESF has been a decisive fund to promote social inclusion and combat poverty, in practice it is very unbalanced, plus the main priority is given to employment and to a lesser extent to education. The practical information on ESF commitment for poverty reduction is missing in the NRPs although positive measures supported by the ESF have been noticed in some countries (reconciliation of work and family life in Czech Republic, the fight against discrimination of vulnerable groups in Spain).

Austerity measures undertaken by MS have led to changes in the priorities set for Structural Funds, which have focused on maintaining employment or ensuring adaptability to changing labour market needs, rather than for broader and more integrated approaches aimed at ensuring social inclusion. In fact, the **active inclusion approach is not referred to as requiring support from the SF in the NRPs**: in many countries they refer only to the access to employment (e.g. Italy, Bulgaria, Ireland, Lithuania, Luxembourg, Slovenia and UK). Some countries have pointed out concerns related to the **low level of expenditure including in some cases the suspension of payments** (e.g. Romania), the drastic reduction of ESF resources or inadequate investments (e.g. Slovenia); in others, the ESF has been moved from training programmes towards income support measures (e.g. Italy).

Regarding the next programming period 2014–2020 Caritas Europa welcomed the Commission's proposals for the future SF, which it considered a step towards translating the European social objectives into concrete actions. Caritas Europa strongly supports linking SF objectives with the poverty reduction target of the Europe 2020 Strategy. Therefore it calls for preserving in the future EU funding legislation the provisions on setting a minimum overall share for the ESF of 25% of Structural and Cohesion Funds globally and the earmarking of at least 20% of the ESF allocation to promoting social inclusion and combating poverty.

So as to make these proposals tangible and taking into account the fact that the next year will be crucial in terms of the 2014–2020 programming period (adoption of the Partnership Contracts and Operational Programme), Caritas Europa would like to insist on the need to give more prominence to the SF in the next AGS and to include this topic as a key issue in the next semester process. In practical terms Caritas Europa proposes that the Annual Growth Survey and Country Specific Recommendations, as well as the other specific guidelines will call the Member States on:

- ➔ Implementing practical arrangements aimed at strengthening the partnership principle by involving all relevant stakeholders including **non-profit organisations in the EU Funds implementation cycle** (planning, implementing, monitoring, evaluation).
- ➔ Supporting the **Social Economy** through different funds (ERDF, ESF) in its role of providing job opportunities for the most vulnerable groups and contributing to the qualification and inclusion of new target groups. Therefore, its important role should be better reflected and supported in the Operational Programmes.
- ➔ Similarly, the support for **creating jobs in the care sector** should be better reflected in the programming process as well as in the eligible expenditures.
- ➔ The SF assistance should continue to **support the capacity-building of NGOs and to strengthen their access to managing EU funds**. Practical arrangements related to the access to capacity building or managing of the funds should be available through the Operational Programmes to be adopted next year.
- ➔ Regarding the **2007–2013 funding** all efforts at the EU and national levels should be made to **tackle the bottlenecks for ESF spending**. Given the significant cuts of national funding ESF may play a crucial role in contracting growing poverty and unemployment and all obstacles of administrative and bureaucratic nature should be overcome to allow for an immediate and efficient implementation of projects.

# 06

## Improving governance processes

The Europe 2020 process is meant to follow principles of good governance by engaging all regional national and local authorities in the cycle as well as the parliaments, and civil society organisations.<sup>33</sup> This partnerships process should be based on a **permanent dialogue** and not restricted to the planning phase but should cover the entire policy cycle of the process (planning, implementation, monitoring, evaluation and the overall communication strategy).<sup>34</sup>

### Little progress since 2011

The Caritas Europa Shadow Report in 2011 identified the lack or **limited consultation carried out by MS when drafting their NRPs**: the report identified the need to put in place participatory structures and to provide adequate time for stakeholders to respond to the consultation and the need for a more consultative approach. In 2012, Caritas MOs highlighted that this continues to be an issue: only a few Caritas MOs have directly been involved in the process and in some MS their participation has been reduced:

- ➔ In general, the NRP drafting process has neither been open nor participatory (e.g. France, Lithuania, Malta, Spain, Rumania) despite the fact that this had been the case in 2010.
- ➔ In some countries NGOs were involved in the NRP through consultative national bodies to which they belong (Platforms, Councils, etc.); in spite of this, they noted that it had not been a genuine dialogue and the possibility of influence was very restricted (e.g. Belgium).
- ➔ Different stakeholders, including NGOs, were invited to be part of the consultative process in Germany. In some countries, consortiums were created with diverse stakeholders in order to implement some measures (e.g. Cyprus). In other cases, the Government consulted all relevant stakeholders but did not involve NGOs in the process (e.g. Italy).
- ➔ In other countries there was consultation with NGOs, but this was done on very short notice, which did not allow for adequate participation (Bulgaria, Ireland, and Luxembourg).
- ➔ In general, parliaments were rarely involved in the process, except in the case of Italy where debates did take place.
- ➔ Regional Authorities were consulted in some cases (e.g. Belgium, Italy to a limited extent).
- ➔ In general, local authorities were not consulted and when they were it was done through weak methodologies or with little time to respond (e.g. Bulgaria); in the case of Italy they were widely consulted.

<sup>33</sup> European Commission, 2010: Europe 2020 A European Strategy for smart, sustainable and inclusive growth.

<sup>34</sup> European Commission, 2010: Europe 2020: Integrated Guidelines for the Economic and Employment Policies of the Member States.

As a main recommendation, Caritas Europa would like to draw attention to the need of improving the participatory methods adopted in the compilation of NRPs, including **more adequate timings for stakeholders to respond or take part in consultation at the drafting stage but also at the implementation and evaluation phases**. Furthermore, efforts must be made to improve or establish permanent structures for consultation and participation, including multi-stakeholder groups to develop meaningful dialogue processes, going beyond information-giving participation.

## Improving NSR by fostering consultation

In accordance with the Social Protection Committee, *"the policy coordination process carried out under the Social OMC requires strategic reporting that allows MS to present their strategies and progress achieved towards the Common Objectives for Social Protection and Social Inclusion and supports the assessment of the Social Dimension of the new Strategy"*.<sup>35</sup>

Following these orientations, more than 20 MS have presented their respective NSR.<sup>36</sup> These national reports are expected to be not only in accordance with NRPs but to develop the dimensions of social protection and social inclusion, including developing the poverty targets by proposing explicit measures and actions for their fulfilment. Links and interaction between both documents are not so evident. For instance:

- ➔ In some cases NRPs and NSRs are quite consistent. In some countries there is more information and explanation on poverty issues, but this does not mean that new measures are added (e.g. Belgium); in others specific measures are detailed (e.g. in France with measures targeted at Roma); some MOs have stressed that there is no "feeding out" from the NRP to the NSR, but rather a "feeding in" from the NSR to the NRP given that measures are repeated (Luxembourg).
- ➔ In other countries the NRPs and NSRs are identical without providing further detail and development in the NRP (e.g. Cyprus); in other cases pages and paragraphs of the NRP are copy-pasted into the NSR (e.g. Romania).
- ➔ When the contents of NSR and NRP follow a similar philosophy, a controversial issue has been raised: how similar will levels of protection be kept when the government is making budget cuts and reducing benefits? (e.g. France).
- ➔ As regards the consultation process, MOs have highlighted that it has not differed much from the NRP. In some cases, when NSR implied a development of the NRP, working groups or commissions have been established in with a focus on different areas of the social field (e.g. Luxembourg).

Among the recommendations for improvement, Caritas MOs suggested:

- ➔ When drafting and adopting NSRs, the focus should be put on the social impact of the crisis and on the responses from a social perspective by focusing on particular groups, being more specific and proposing concrete actions and changes.
- ➔ To follow the orientations of the SPC and the three strands of social inclusion.
- ➔ To be more explicit and realistic in terms of measures, budgets and objectives.
- ➔ More feedback between NSR and NRP so as to guarantee their implementation, thereby ensuring that it is not only one more policy document adopted to comply with EU commitments.
- ➔ To reinforce the consultative and participative methods with stakeholders in the entire process.

<sup>35</sup> Social Protection Committee, 2011: Opinion of the Social Protection Committee on reinvigorating the social OMC in the context of the Europe 2020 Strategy, endorsed by the Council of the EU on May 2011: <http://register.consilium.europa.eu/pdf/en/11/st10/st10405.en11.pdf>

<sup>36</sup> All National Social Reports are available at: <http://ec.europa.eu/social/keyDocuments.jsp?policyArea=750&subCategory=758&type=0&country=0&year=0&advSearchKey=SPCNationalSocialReport&mode=advancedSubmit&langId=en>

# 07

## Recommendations

In the different parts of this report the challenges ahead and proposed specific recommendations for each of the areas covered have been identified. At this point, Caritas Europa would like to focus on its recommendations to be addressed at the EU level while the country-specific recommendations are presented in the Annexes.

In its 2011 Report, Caritas Europa's main concerns pointed to the fact that NRPs focused mainly on the economy, fiscal adjustments and structural reforms and tended to neglect or overlook social issues. It was proposed that NRPs should be more comprehensive with regard to social protection and social inclusion and with a more explicit focus on the target related to the reduction of poverty. From the data and information gathered in 2012, these main ideas are repeated but are complemented and deepened by new recommendations.

### Recommendations regarding the contents of the 2013 Annual Growth Survey

Caritas Europa was very pleased to see that the 2012 AGS launched by the European Commission has significantly improved its focus on social inclusion, particularly through the new Objective 4 of the AGS: tackle unemployment and social consequences of the crisis. The progress in addressing the challenges of people experiencing poverty and exclusion has been observed in comparison to 2011 AGS. Nevertheless, much more needs to be done in order to make the EU and national policies more robust in tackling growing unemployment and poverty. The social dimension of the Europe 2020 Strategy needs to be reinforced both in the Guidance papers adopted by the Commission and Council and in the NRP.

Therefore Caritas Europa proposes to include the following three objectives to the Communication on AGS 2013:

#### 01 Adopt and implement policies tackling child poverty and preventing youth from experiencing poverty

The priority in the national policies and actions should be given to:

- Ensure adequate minimum income for families, at least above the relative poverty threshold, to prevent and combat child poverty.
- Provide measures for supporting early child education as well as childcare support, especially for those families at risk of social exclusion.

- ➔ Maintain a particular focus on children who are at greater risk of poverty, including children living in or leaving care or health institutions, children with migrant or minority backgrounds, children of asylum seekers and refugees, Roma children, children with disabilities or who have parents with a disability, children living with single parents and children growing up in low-income families and/or with parents in low-paid employment.
- ➔ Integrate family and child-centred policies aimed at breaking the cycle of poverty and the transmission of disadvantage across generations.
- ➔ Ensure greater visibility of children in poverty and their families in the 2014–2020 Operational Programmes. This should be achieved through the inclusion of comprehensive measures which can be traced and monitored and by linking direct and indirect support to families facing poverty (i.e. multi-child families, single-parent households). The ERDF and ESF Operational Programmes should provide financing for actions to tackle various dimensions of child poverty, including education, engagement of parents by professionals, childcare services and social housing.
- ➔ Involve civil society in a partnership approach to tackle child poverty including participating in the preparation, planning, monitoring, implementation and evaluation of child poverty-related Programme and initiatives.
- ➔ Address youth poverty not only by ensuring that young people access the labour market but also by ensuring that they will not join the expanding group of working-poor. This can be achieved through policies and legislation to tackle the labour market segmentation, combating situations of precarious employment and improving job quality.
- ➔ Implement Active Inclusion strategies at the national level by ensuring access to services, including childcare services, and avoid the withdrawal of certain rights and services once young people become employed.

## 02 Recognise the potential for job creation in the care sector and in Social Economy enterprises, and support the employment growth there

The priority in the national policies and actions should be given to:

- ➔ Acknowledging the role of care services in job creation and recognising the potential of non-profit organisations in delivering these services adjusted to the needs/demands of beneficiaries by *inter alia* ensuring free choice among providers.
- ➔ Investing in the training and capacity building of providers (including non-profit organisations), enabling and encouraging volunteering schemes that complement employed staff.
- ➔ Shaping the conditions for developing employment in the care sector to avoid exploitation of care workers (e.g. migrants, women). This must be achieved through the adoption of relevant legislation and standards related to working conditions.
- ➔ Recognising the role of the Social Economy's potential in delivering sustainable jobs (especially for youth and people facing social exclusion) and in increasing their employability through vocational training and other forms of support.
- ➔ Ensuring a greater presence and support for Social Economy initiatives and the promotion of employment in care services in the 2014–2020 Operational Programmes to be financed by the SF.

## 03 Tackle in-work poverty and ensure minimum income

The priority in the national policies and actions should be given to:

- ➔ Addressing labour market segmentation by adopting and implementing legislation and measures aimed at combating precariousness as well as improving job quality i.e. linking public investment from SF with active labour market measures for the creation of quality jobs.
- ➔ Fostering a wider application of all three elements of the Active Inclusion Strategy and counteracting the withdrawal of right to affordable services (including childcare and those services needed by members of households affected by in-work poverty) and benefits of people who have just entered the labour market.
- ➔ Recognising minimum income as a basic right to prevent severe poverty. Providing for the introduction of minimum income schemes in the (two) countries where they do not exist and safeguarding and reinforcing their application in countries where it does.

## Long-term recommendations regarding ensuring the social dimension's presence in the Europe 2020 Strategy

In Caritas Europa opinion the preference in the European and national policies and actions should be given to:

### 01 Prioritising poverty targets in the Europe 2020 political agenda and in NRPs through:

- ➔ Seeking stronger political support from MS towards achieving the headline employment, education and poverty reduction targets.
- ➔ Guaranteeing that these targets are on the Council's political agenda.
- ➔ Monitoring the planning process of the next SF programming period in 2013 and ensuring that at least 20% of the ESF allocation is invested in promoting social inclusion and combating poverty.

### 02 Adopting EU investments Programme to counter-balance fiscal adjustments though:

- ➔ Adopting substantial investment Programme aimed at creating new jobs, along the lines identified in this report.
- ➔ Promoting initiatives aimed at reinforcing the Social Economy enterprises.
- ➔ Strengthening the role of the non-profit organisations in the provision of services and in the creation of different forms of employment for the people at risk of social exclusion through the SF and other Programme.
- ➔ Including the perspective of Active Inclusion in the implementation of the Programmes financed by the SF, notably in the ESF.

# Regarding the European Semester process and governance

The priority in the European and national policies and actions should be given to:

## 01 Ensuring an adequate presence of social dimension in the European Semester and related processes through:

- ➔ Encouraging the governments to set up **more specific targets in their NRPs and NSRs related with social inclusion** i.e. reduction of child poverty rates, prevention of the transmission of poverty to youth and of in-work poverty.
- ➔ Setting **annual targets for tackling child poverty as part of the NRPs** in consultation with all relevant national and local authorities, to ensure their contribution to the European headline poverty-reduction target.
- ➔ Compensating the impact of the fiscal adjustment in countries which are suffering the effects of the economic crisis by **including in the Memoranda of Understanding issues related to social protection and social inclusion** and the means to achieve the targets.
- ➔ Ensuring the **full monitoring of the Europe 2020 Strategy implementation in the countries which signed the IMF/ECB Memoranda of Understanding by adopting the country specific recommendations** for these countries every year. The contents of the CSR should not be limited to the call for the MoU Programme implementation. The **structure of recommendations should be similar to those addressed to the countries not covered by the MoU Programme** i.e. they should specify the actions needed to achieve all of Europe 2020 targets, including employment, educational and poverty reduction targets.

## 02 Improving the participatory process of the stakeholders in the NRP and NSR preparations through:

- ➔ Ensuring that MS engage in a better balanced civil and social dialogue and monitor progress in this area.
- ➔ Supporting the **development of social dialogue** in the areas of social and health services, involving non-profit organisation working in the field of poverty in the process.
- ➔ Adopting a bottom-up approach in the consultation process.
- ➔ Increasing the **visibility of the programming cycle at EU level**, especially with regards to its social dimension.
- ➔ Encouraging MS to **carry out a participatory process and dialogue with key stakeholders**, especially non-profit organisations, regional and local governments and in all the phases of the process (planning, implementation, monitoring, evaluation).
- ➔ Investing more resources to strengthen the trust of EU citizens in the EU values and the principles and rights established in the EU Charter of Fundamental Rights.<sup>37</sup>

<sup>37</sup> The Charter of Fundamental Rights of the EU signed and proclaimed by the Presidents of the European Parliament, the Council and the Commission at the European Council meeting in Nice on 7th December 2000: [http://www.europarl.europa.eu/charter/default\\_en.htm](http://www.europarl.europa.eu/charter/default_en.htm)

### 03 Improving the monitoring mechanisms through:

- ➔ Assign equal prominence to the assessment of the poverty and social reduction targets and macroeconomic figures in the fiscal and budgetary plans.
- ➔ Reviewing in more detail NRPs' progress during the entire cycle, requesting from MS a detailed report on the measures implemented and their effectiveness (quantitative and qualitative).

### 04 Improving the quality of available information through:

- ➔ Collecting and publishing up-to-date data, evidence and assessments to measure the progress of the Europe 2020 Strategy targets.
- ➔ Taking into account information and data collected from stakeholders when evaluating NRPs and NSRs.
- ➔ Reminding MS to be more transparent regarding the data and activities related to NRPs and NSRs.



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In addition to the above publications and documents, the report has extracted data and information from NRPs and complementary national data resources as well as from Country Specific Recommendations and EC working documents. In addition, information has been taken from the questionnaires completed by Caritas Europa Member Organisations taking part in the production of this report.

# Annexes

## Country Summaries

The following countries have taken part in the process of drafting the EU Shadow Reports by answering the questionnaire. The main facts and ideas have been extracted in the country summaries, which can be found in separate documents annexed to this report:

- 1 | Caritas Austria
- 2 | Caritas Belgium
- 3 | Caritas Bulgaria
- 4 | Caritas Cyprus
- 5 | Caritas Czech Republic
- 6 | Caritas Estonia
- 7 | Secours Catholique (France)
- 8 | Caritas Germany
- 9 | Caritas Greece
- 10 | Social Justice Ireland
- 11 | Caritas Italy
- 12 | Caritas Lithuania
- 13 | Caritas Luxembourg
- 14 | Caritas Malta
- 15 | Cordaid (Netherlands)
- 16 | Caritas Poland
- 17 | Caritas Portugal
- 18 | Caritas Romania
- 19 | Caritas Slovakia
- 20 | Caritas Sweden
- 21 | Caritas Slovenia
- 22 | Caritas Spain
- 23 | Caritas Social Action Network and Catholic Children's Society (Westminster) - United Kingdom



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