

## Poverty and the Social Exclusion in Compliance with the 2020 EU Strategy

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**Abstract:** Presently, people in poor areas suffer from a lack of integration. For this reason, it is of major importance for the European Union to promote social inclusion. This work represents a comprehensive presentation of the current situation of poverty and social exclusion in the European Union as a result of attaining the 2020 strategy objectives.

**Key words:** poverty, social exclusion, education, school dropout, 2020 EU strategy

JEL classification: I23, I25

### Introduction

The European Platform Against Poverty - opinion on the European Platform against Poverty and Social Exclusion: "As poverty represents a violation of human rights, governments, the social partners and civil society must take shared responsibility for its eradication."

### Poverty and development

Poverty is one of the economic and social phenomena affecting the world's population as a whole. Therefore, it is present on all continents.

At present, in Europe there are over 50 million people who reached the poverty limit, meaning that their income represents less than half of the average income per inhabitant of their country.

Depending on the different situations worldwide, poverty may be represented like:

- malnutrition for the inhabitants of sub-Saharan Africa or Eastern Asia,
- high unemployment rate for residents of the former communist countries
- an exclusion and social isolation for citizens of developed countries worldwide.

According to the European definition, given by the Council of Europe, in 1975, individuals living at risk of poverty (poverty after social transfers) are those who live in a household with an available equivalent income below the poverty limit, meaning 60% of the average available income of the same value as nationwide (after social transfers). The equivalent income is calculated by dividing the total household income by the size determined after the following coefficients have been applied:

- the first adult (family head),

- 0.5 to each of the other members of 14 years old and over 14
- 0.3 to each household member under the age of 14 .

People in situation of severe poverty (from a financial point of view) are constrained by hard living conditions and scarce resources and have to face at least 4 of 9 shortcomings: they do not afford to :

- 1) pay mortgage/rent or utility bills on time,
- 2) heat the household properly,
- 3) incur unforeseen expenses,
- 4) eat meat, fish or proteins every two days,
- 5) a one-week annual holiday away from home,
- 6) his/her own car,
- 7) a washing machine,
- 8) colour TV,
- 9) telephone (including mobile phone).

Low productivity and low wages are the most responsible for to the poverty of active individuals (poverty at work). The poverty rates tend to be higher in the case of single-parent families raising their children and those with temporary or part-time contracts. The poverty rate in Romania was 17.3%, well above the European average of 8.4% of EU 27.

In an opinion adopted in June 2011, the European Platform Against Poverty drew attention to the 80 million people in the EU who live below the poverty limit. Since the launch of Europe 2020, the number of people at risk of poverty or social exclusion in the Union has actually increased to more than 120 million, due to the economic crisis.

Hence the European pointer (and the target of Eu 2020 Strategy) concerning poverty and social exclusion refers to the persons who are confronted with at least one of the three situations described above.

The European objective for 2020 is "to promote social inclusion, in particular by decreasing poverty, aiming at the poverty and exclusion risk elimination for at least 20 million people", while Romania has taken the responsibility to cut down the same number by 580.000.

It is worth taking into account that employment is considered "probably the best protection against poverty and exclusion", according to the Eu 2020 Strategy.

The "employment" objective involves an important initiative, called "youth in motion" that aims at increasing the level of education and the labour market insertion and also at decreasing the unemployment rate among young people on the one hand and at increasing the employment rate on the other hand . These steps may be taken by complying the educational means with the teens' needs, encouraging young people to study abroad, in various programs of scholarships and also by encouraging EU countries to take action regarding the young graduates' employment.

Besides this initiative, there should be also emphasized the "Youth Opportunities" initiative and its special role - to provide support to unemployed young people, especially those who have dropped out of school early, but also to graduates in finding a job.

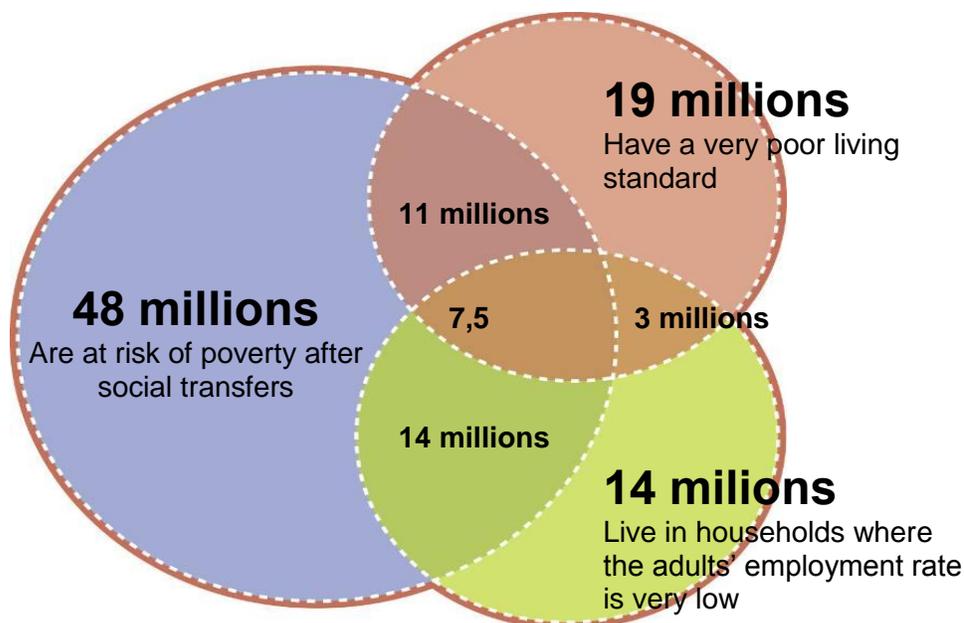
Another initiative is the "Agenda for new skills and jobs" initiative that follows the one called "new skills for new jobs". This initiative aims at forecasting the demand for skills, at better connecting the acquired skills with the existing labour market demand on the one hand and the educational environment with the professional one on the other hand.

For the accomplishment of the EU Strategy 2020 objectives, the educational offer plays an important role. Therefore, in accordance with the EU Strategy 2020, the strategy for employment encourages the adoption of measures aimed at contributing to the achievement of three main objectives by the end of 2020, namely:

- reaching the level of occupancy of 75% for people between 20 and 64 years old;
- the school dropout rates decrease below 10 % and an increase in the percentage of graduates of higher education to at least 40% among persons aged between 30 and 34;

- a decrease of at least 20 million in the number of people affected by poverty or at risk of poverty and social exclusion
- Thus, the number of people at risk of poverty and social exclusion in 2010, is shown in Figure No. 1.

**Figure No. 1 - Persons at risk of poverty or social exclusion, in 2010**



Source: Eurostat (online data code): [tsdsc100](#), [tsdsc270](#), [tscsc280](#), [tsdsc310](#), [tsdsc350](#), [ilc\\_pees01](#))

People at risk of poverty or social exclusion, 2010:

- about 81 million EU citizens live in serious poverty
- about 40 million people live in an extremely precarious material condition
- approximately 38 million live in households where adults work much less than they could
- about 116 million people in the European Union were at risk of poverty or social exclusion in 2010

These people can be affected by several aspects of poverty at the same time. About 80 million people have been affected by an aspect of poverty, 28 millions, by two aspects and around 8 millions, by all of them at the same time.

The poverty rate can also result from the human development index.

Human development index is used as an alternative development method, adding the economic indicators. It has three distinct components:

- indicators of longevity
- education
- income.

Human development index is a comparative measure of life expectancy, literacy, education and living standards. Hence, it is used to compare the development level of a country better than the GDP per capita, which measures only the material prosperity without other socio-economic indicators.

In the recent years, the United Nations Development Programme has also taken into account the risks related to the environmental issues since the poorest countries are the most affected by disasters caused by climate changes, such as: floods, drought, storms and pollution.

To measure these deficits in health, education and living standard, UNDP created a multidimensional poverty index, which, in 2010, for the first time examined the magnitude of "the environment privations", in terms of access to fuel or clean water. Inequality-adjusted index takes into account inequalities in three areas: life expectancy, education and income.

Human poverty index captures the strains that occur mainly in four essential dimensions of human life as reflected by the human development index:

- ✓ longevity-the proportion of people whose average life span is less than 60 years;
- ✓ educational level-the share of adult population (15 years and older) characterized by illiteracy;
- ✓ a minimum living standard -the proportion of people below the poverty limit set at 60% of median disposable income per equivalent- adult;
- ✓ social exclusion, as measured by the long term unemployment rate -12 months and over one year

The poverty index is a synthetic one expressing the percentage of population with the worst features of human development:

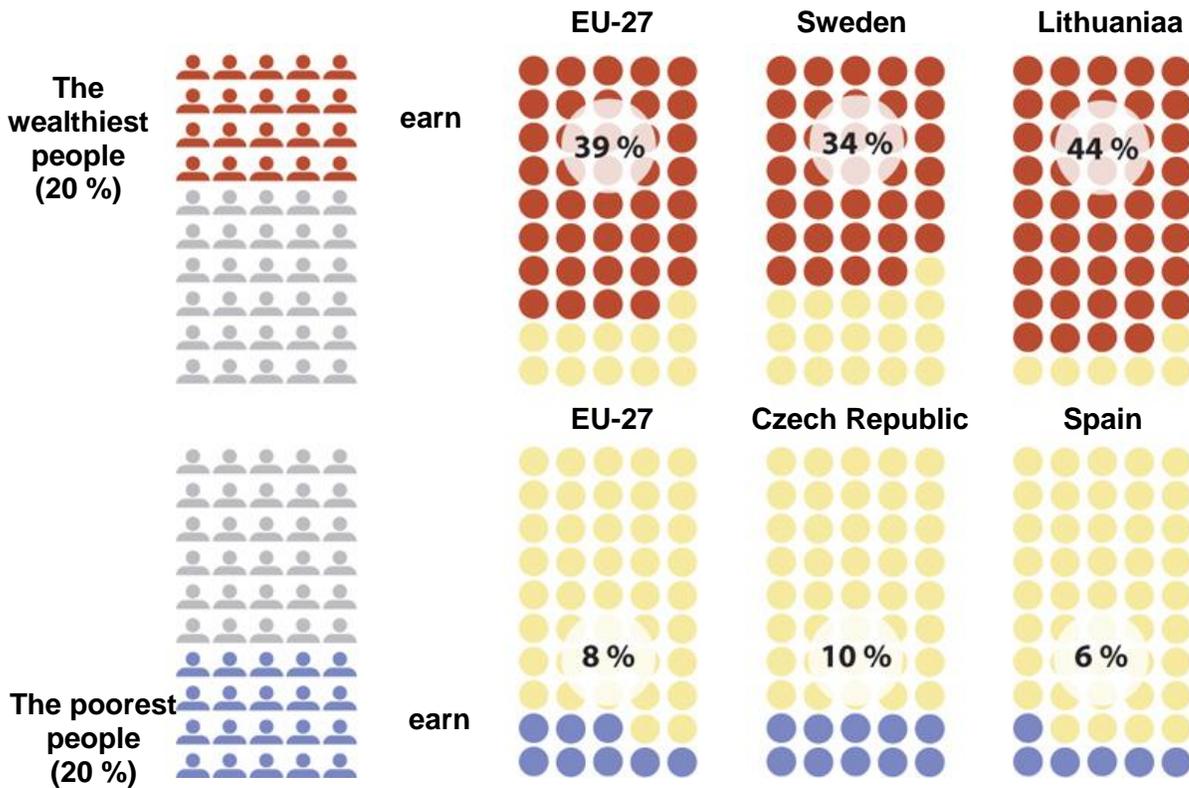
- ✓ nutrition and health, reflected by the proportion of children under 5 years, which are below normal weight;
- ✓ access to health services, reflected by the proportion of births unattended by medical personnel;
- ✓ the educational level and gender inequity, reflected through the women's illiteracy rate;

Therefore, we can conclude that poverty is multi-folded. There are three main aspects of poverty in the European Union: monetary poverty, shortages and lack of access to the work-places. However, monetary poverty is the most common form of poverty.

We consider this is due to the fact that revenues are not evenly distributed, because the income inequalities have not been diminished in the European Union.

Figure No. 2 shows this inequality of income distribution. The wealthiest 20 percent of the population earn around five times more than the poorest 20 percent. Thus, it appears that income distribution greatly differs among the Member States of the European Union.

Figure No. 2 – Inequality of incomes distribution



Source: Eurostat (online data code: [tsdsc260](#), [ilc\\_di01](#))

### Conclusion

We can see that in the period 2005-2010, people at risk of poverty after social transfers were at the rate of 16% of the European Union population, this situation being steady throughout the reference period. However, the percentage of people living in very precarious conditions went from 10.7% in 2005 down to 8.1% in 2010, that is a 24% decrease - a favourable situation.

At the same time, we believe that there is an obvious connection between education and the risk of poverty, since the people with a low level of education face the greatest risk of poverty. Nevertheless, the number of young people between 18 and 24. Who early give up studying and training courses is steadily decreasing. The school dropout rate in the European Union decreased quite steadily during the reporting period - a favourable situation.

Moreover, we consider that decent work is one of the decisive factors that affect poverty and social exclusion.

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