

Is poverty increasing in developed countries?

Mini-conference // International cooperation



Moderator

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Speakers

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Executive summary

Despite the fact that the EU poverty rate remains stable, poverty is increasing in some member States and with a strong variance of the national poverty rates. Poverty is changing, we are going through a housing crisis as well as a crisis of mankind.

Which prospects does 2012 hold for poverty in the European Union and its member States? There is a common strategy against poverty and destitution in which member States, the European Union and Europeans as individuals are involved: the Lisbon strategy, particularly its social component.

Synthesis

Antoine Michon talked about the creation of **ATD Quart-Monde** in 1957, 5 years after Sauvy invented the 'Third world' concept. 'Quart Monde' – which means "Fourth World" – is a reference to the fourth order register which dates back to the French Revolution and dealt with the political representation of the working class. ATD Quart-Monde's founder, Joseph Brezinski, wanted his organization to contribute to the emancipation of the poor populations. Since 1972, ATD Quart-Monde has tried to put the fight against destitution at the heart of European development. Since the United Nations general assembly sanctioned the International Day for the Eradication of Poverty, it has contributed to the assessment of destitution and poverty in developed countries.

Antoine Michon asked **Michael Förster** about the evolution of poverty in the 34 OECD countries, the policies implemented to fight poverty, and the results that they produce. For **Michael Förster**, social affairs ministers have converged on twenty objectives, of which the most important is the pledge to eradicate poverty and social exclusion. Three areas can thus be researched:

- What is the breadth of poverty and which poverty trends can be observed?
- The relevance of inequalities.
- Political interests.

There are two poverty thresholds. The absolute poverty line is based on the cost of basic needs while the relative poverty line is based on living standards. The relative poverty line is the one used to determine poverty rates. Income levels make it easier to compare poverty statistics between different countries. In the 34 OECD countries, there are huge discrepancies between poverty rates (6% in Denmark and $\geq 20\%$ in Mexico) and the average is 11%. We are experiencing a 1 percentage point increase in OECD countries which corresponds to 1.5 million more people living below the poverty line. However, the situation does differ greatly depending on the country. Considering the USA, Germany, Sweden, and France, we can see that the American poverty level remains high yet stable while the French one oscillates around 7% and the German and Swedish ones have considerably increased since the beginning of the 2000s.

Over the last few years, poverty has changed. The poverty risk has shifted towards very young and very old people as these groups are not capable of working.

A European poverty rates could be calculated it would have to be in relation to the absolute poverty line. Indeed, the net income of the poorest 10% in Sweden is higher than the average income in OECD countries. On the other hand, in the United States, the income of the poorest 10% would be comparable to the average Greek income. This inequality stems from a concentration of wealth that should be taken very seriously.

We can neither understand nor defeat poverty if we do not understand

wealth. Inequalities have increased in the OECD area partly because income is concentrated among certain segments of the population. It is therefore necessary to revise the distribution of wealth. In addition, monetary and non-monetary transfers play a very important role in defeating poverty and lessening its impact. Politicians must work towards a more effective distribution of wealth. They should also address the causes of the problem. Naturally one of the major causes of poverty is unemployment, though unfortunately having a job does not ensure that one will lift himself out of poverty – as is clear from the working poor phenomenon and the fact that more than half of poor households have a job. We need inclusive action-driven policies. Furthermore, in order to bring about a durable decrease in poverty, politicians must concentrate their efforts on education and training.

What is the situation in the EU and in France with regards to poverty? According to **Olivier Bontout**, the EU definition of the poverty rate is the proportion of households whose income is lower than 60% of the median income in their country. This financial poverty rate is around 16% for the whole 27 members and has remained stable since 2000. Nevertheless, there is a strong variance within the EU – for instance, Germany and Scandinavian countries' poverty rates are increasing.

Various approaches on the multidimensional nature of poverty have been developed. Some focus specifically on the living standards or the connection between poverty and the job market. The aim of the European Union is to decrease the number of people affected by poverty and marginalization by 20 million over the next decade (2010-2020). The approach the EU selected has changed as it defined their target and completed their monetary approach with two complementary inputs: poverty in terms of living standards, and poverty and its connection with the job market (in households where less than 20% of the people work).

In France, there are three main trends affecting poverty:

- Poverty is lower than in the rest of Europe and in most of our neighbor countries.
- Monetary poverty remains quite stable.
- The forms of poverty are changing.

Since 2000, the level of monetary poverty has remained stable while its structure has changed over the last decades. Indeed, poverty has decreased among retired people but there has been a progressive increase in poverty among young people and a fraction of the workforce, for whom entering the job market is difficult. A lot of these people are unemployed throughout the course of the year in the sense that they alternate periods of work, unemployment, and inactivity. This results in an insufficient income to break through the poverty line.

The question of poverty leads us to the important issue of housing and poor housing. **Antoine Michon** asked how housing issues evolve in France,

which evolutions affect people who suffer from poor housing and homeless people, and which are the challenges that come along. **Bernard Devert** replied based on his own experience. In his opinion, it is very hard to offer a solution to the 3 million people dealing with housing issues. How can we go forth? Listening to these people and bringing them to light can make new perspectives arise.

The poverty issue is not just about monetary poverty but also includes a lack of recognition, for instance for homeless people. Poverty is also the tragedy of jobless and homeless people who have no-one in their lives and begin to think that they are nothing. Fighting poor housing is an emergency in the sense that it represents a social affliction. Responsibility and humanity are at stake here. In France, poor housing affects families, including children. 600,000 children can be seen as victims of unacceptable living standards, but also of inadequate learning and studying conditions. The number of lower class children receiving college education has been decreasing for 30 years.

What can we do about this? **Bernard Devert** identified two directions:

- The reconciliation of economic and social issues;
- The reconciliation of human and urban issues.

The second direction outlines that the housing crisis comprises of many other crises such as a habitat crisis with respect to an inhabitant crisis, thus leading to a crisis of our collective coexistence aspirations. Do we really want to live together? Real estate prices reveal that there are a lot of deterrents to social cohesion. This calls for a political agenda. Solutions exist and are set out in law, but suffer from the gap between the law and the actual implementing decree.

Bernard Devert offered 3 suggestions to support this fight against destitution:

- Local urbanism plans are a tool at the disposal of city councils. Construction permits should increase by 20 to 30% and be charged with limited property tax to no tax at all. Creating very affordable housing facilities through

assisted rental credits would lead to a regulation of the real estate market.

- The latest law on property and urban renewal compels municipal authorities to build 20% of social housing projects within 20 years.
- The State and local councils should be encouraged to look into how some of their buildings could be turned over to large socially concerned developers who would influence the real estate market and grant access to the city for the poorest.

Hence we are experiencing a housing crisis, but what about other forms of poverty? **Antoine Michon** asked **François Dechy** if business creation is a real option for unemployed people to return to employment. **François Dechy** explained that **France Active Financement** operates in two areas. First, it allows job seekers to create their own job by creating their company. It also provides these projects with access to financing. Job seekers must create a project proposal with the support of public employment organizations and convince the banks to finance their project. Business creation is a win-win-win process: for the State and social organizations involved in the financing of the project, for the bank (a well-planned and well-financed project turns into a good client), and for the project bearer who has the opportunity to work on his project in a safe environment and benefits from tailored financing.

Last year, financing 6000 entrepreneurs and 800 socially responsible companies has given way to the creation and consolidation of 30.000 jobs. There is still a lot to do about business creation as a way to help people find a job. The key is the ability to press for effective solutions to make sure that a poor jobseeker does not turn into a poor entrepreneur. This demands resources and a conceptual change. It is about transforming the positive spiral of social, economic, and financial inclusions.

To summarize, **Antoine Michon** asked three questions to **Jérôme Vignon**:

- What are the long-term trends characterizing the changes in poverty in



France and the EU?

- Has there been any success or failure since the Lisbon Congress?
- What are the strategies that have been put in place to achieve the objectives set out for 2020? What should national policies address and in which ways must the EU intervene?

According to **Jérôme Vignon**, there was real optimism amongst EU leaders in Lisbon in 2000 regarding the eradication of poverty. This optimism was supported by the social principles associated to the EU, its history of social welfare and its model of social market economy as well extensive intellectual and practical resources in the run up to the EU enlargement.

Jérôme Vignon confirmed that poverty is increasing in EU developed countries and that a generational change in poverty is underway. The EU average remains stable as the poverty rate increases in countries such as Germany but decreases in countries such as Poland. Poverty remains stable, but we assume that deep poverty is increasing and induces a significant segmentation of the society.

An increase in the labor force participation rate and in the employment rate was the main objectives of the Lisbon strategy. There has been indeed an increase in the participation rate among women and seniors. However it has not benefited the poorest 10% of the population. Forced-march employment policies do not benefit everyone.

In addition, jobs are becoming more and more precarious. For example, the “Hartz” reform¹ in Germany caused poverty to bounce back as the working conditions and the quality of work withered. Hence it failed to provide a solution to unemployment.

Now we must consider the States’ ability to be responsible and to tackle the current issues of creating economies that are open to the rest of the world, promote competitiveness and technology, and encourage socially inclusive societies. The objective for 2020 is to set tangible targets in the

¹ This reform aims to fight against voluntary unemployment and inactivity traps that encourage people to live with unemployment benefits rather than to accept a job that does not pay enough in their opinion. The implementation of this reform was not smooth. Officially, the objective is to adapt German labor and fiscal law to new economic challenges in the services sector.

following areas:

- Reducing inequalities (monetary poverty rate), improving social welfare, and developing a much fairer tax system;
- Reducing the number of households where no adult works;
- Fighting serious poverty (for example amongst Romani people, elders from new member States, or people who earn less than 40% of the median income);
- Politicians need to implement rigorous budgetary policies, clinch Europlus agreements, and develop macro-economic stability and powerful European mechanisms.

Why is it a burning issue? The time has come to help member States to establish strategies to fight poverty and exclusion on their own. Europe will commit to the implementation of rigorous budgetary policies. In order to achieve this, the EU needs to establish safeguards, social services frameworks, and transparent and compelling information on the financial income in each States, so that poor people do not suffer from this rigor. This can only be done at the European level. This strategy will put our humanity to the test, not only at the level of the member States but also for the European Union as a whole and for citizens as individuals.

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