STATISTICAL SURVEY ON PEOPLE AT RISK OF POVERTY OR SOCIAL EXCLUSION IN THE EUROPEAN UNION

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Abstract: The main aim of this research paper is to conduct a statistical survey on people at risk of poverty or social exclusion in the European Union. Poverty and social exclusion highlight multidimensional sociological aspects with significant implications for the level of economic growth and sustainable development, especially in the case of emerging countries. People at risk of poverty or social exclusion represent a vulnerable group of high risk but implementing sustainable public policies can be an effective solution in order in order to minimize or even to eradicate social inequalities. Moreover, the research article provides a comparative analysis of the concepts of relative poverty and absolute poverty based on a set of international standards. Legally, everyone has the right to an adequate standard of living and basic social protection. However, empirical results reveal significant differences between developed countries and developing countries in the European Union in terms of poverty or social exclusion.

Keywords: poverty, social exclusion, sustainable development, social inequality, international standards, ESG characteristics, globalization.

JEL Classification: F0, J0, I31, H0, O2.

1. Introduction

The main objective of this research article is to provide a useful statistical survey framework on people at risk of poverty or social exclusion in the European Union. Currently, European Union is facing serious challenges such as: the recent waves of Muslim immigrants, the Brexit process, the emergence of nationalist and extremist parties that dramatically influence politics in some Member States. In addition, poverty and social exclusion are phenomena with severe global implications which affect the sustainable development of the European Union.

The concept of poverty does not have the same meaning as social exclusion or social inequality. Poverty has a quantitative measure, especially in economic terms. UNESCO classifies poverty in two main categories: absolute poverty which is a concept related to the amount of money necessary to meet basic needs such as food, clothing, and shelter, and relative poverty which is a concept related to the economic status of other members of the society. As a criticism, the concept of absolute poverty ignores essential aspects such as social insecurity, quality of life or social exclusion. Moreover, the concept of extreme poverty is associated with the critical situation of severe income poverty related to the amount of less than 1$ a day. The most representative income indicators are AROP (at-risk-of-poverty rate for the total population) and QSR (income quintile share ratio). According to EUROSTAT, AROP or at-risk-of-poverty rate is the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income after social

transfers, while QSR or the income quintile share ratio or the S80/S20 ratio is a measure of the inequality of income distribution which is calculated as the ratio of total income received by the 20 % of the population with the highest income (the top quintile) to that received by the 20 % of the population with the lowest income (the bottom quintile). However, there is no generally accepted explanation of poverty as a global social phenomenon.

2. Literature review

The conceptual importance of a literature review is the argumentation of selected research themes. Moreover, the literature includes various empirical and theoretical studies on the phenomena of poverty and social exclusion. Rank and Hirschl (2015) have conducted an empirical research study and have concluded that between the ages of 25 and 60, 61.8 percent of the population will experience at least one year of poverty, whereas 42.1 percent will experience extreme poverty, while statistics indicate that 24.9 percent of the population will encounter five or more years of poverty, and 11.4 percent will experience five or more years of extreme poverty. Beker (2016) investigated the relationship between economic growth, income inequality and poverty and suggested that economic growth reduces poverty if income distribution remains constant over time, and that initial level of poverty has a negative effect on growth rates, and a high poverty rate also weakens the effect of growth on reducing poverty.

Chzhen, de Neubourg, Plavgo and de Milliano (2016) conducted an empirical research study based on Multiple Overlapping Deprivation Analysis for the European Union (EU-MODA) which compares the living conditions of children across the EU member states considering that poverty has serious consequences for children's well-being as well as for their achievements in adult life. Chaudry and Wimer (2016) have analyzed the implications of poverty and low income on children's development and well-being and have concluded that these issues affect the development of children, especially cognitive developmental, while other factors of influence are related to timing, duration, and community context of poverty. Moreover, Thevenot and Smeeding (2016) argued that poverty during childhood is a traumatic process considering that the earliest years are critical in terms of future cognitive and emotional development and early health outcomes, and have long-lasting consequences on future health.

Eurofound and International Labour Organization (2019) suggested in their most research report that in the case of EU28, long-standing trends towards greater tertiarisation of the economy, the process of feminisation of the labour force, the new wave of technological change – digitalisation, the spread of non-standard employment arrangements such as temporary work, part-time work, agency work, have all influenced the nature of work and employment. On the other hand, Baker Collins (2005) investigated relevant aspects on the contribution of local knowledge to an understanding of poverty as well as the limitations of participation in changing social policy.

Balisacan (2011) provided a detailed empirical framework on both income-based poverty and multidimensional poverty and suggested that "that nothing less than economic growth, even in the short term, is required to reduce poverty" given the fact that poverty is perceived as a multidimensional phenomenon with various implications. In a previous study, Milanovic (1995) investigated the transformation process of poverty and income inequality during the early period of transition to a market economy and identified two main pillars of social policy in transition economies, ie pension reform and better targeting of social assistance.

On the other hand, Silver (2007) defined social exclusion as a dynamic process of progressive multidimensional rupturing of the 'social bond' at the individual and collective

levels and precludes full participation in the normatively prescribed activities of a given society and denies access to information, resources, sociability, recognition, and identity, eroding self-respect and reducing capabilities to achieve personal goals. Practically, social exclusion is the inability to participate completely in society as well as in social activities. The relationship between exclusion and poverty is very complex and exceds the basic framework of purely economic consequences considering its extensive social implications. Madanipour, Shucksmith and Talbot (2015) analyzed the relationship between poverty and social exclusion and suggested that focusing on the economic dimension at the expense of other sides generates vulnerabilities especially in the context of major social issues.

3. Empirical analysis and statistical results

Independent specialized organizations and agencies classify world countries in certain categories based on internationally-agreed standards. Morgan Stanley Capital International (MSCI) Country Classification Standard provides a first classification of world's countries into the following three categories: developed markets, emerging markets, and frontier and standalone markets. Secondly, London Stock Exchange Group provides FTSE Equity Country Classification which is another internationally recognized country classification based on the following main categories: developed, advanced emerging, secondary emerging and frontier. Moreover, S&P DJI's Global Equity Indices Country Classification provides another recognized international classification by using quantitative data to initially assess market eligibility for the three major country classifications: developed, emerging and frontier. The European Union includes the following Member States : Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Finland, France, Germany, Greece, Hungary, Ireland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom (currently in full BREXIT process). Some EU Member States are included in the developed country category, but others are included in the category of emerging countries.
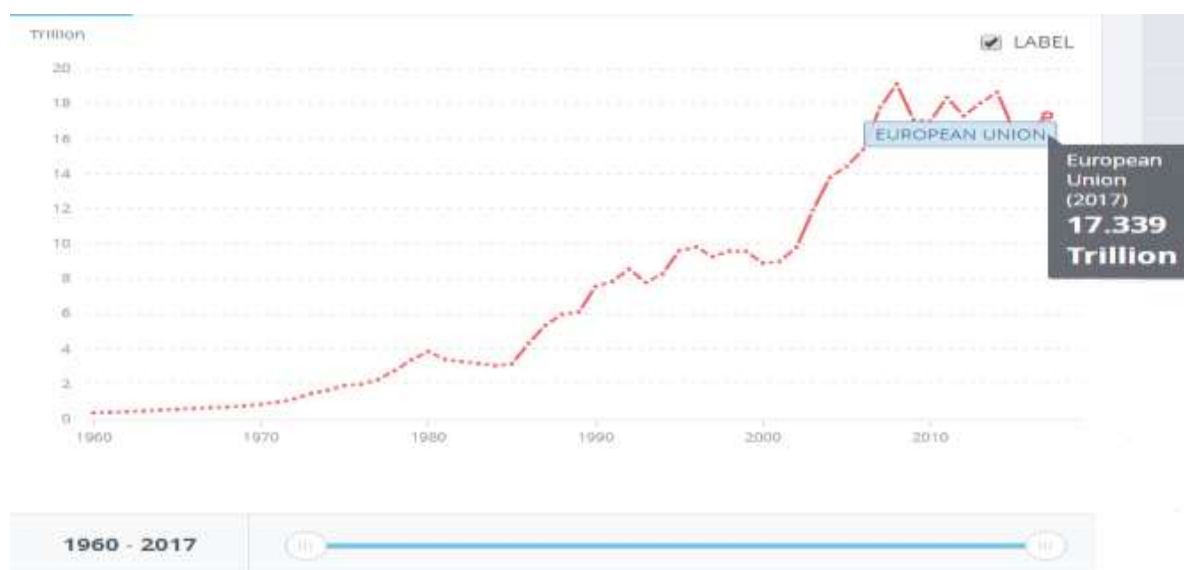

Figure 1. GDP (current US$) of European Union (E.U) for the period 1960-2017
Source: World Bank national accounts data, and OECD National Accounts data files.

According to official statistics provided by the World Bank, the economic growth in the European Union (EU) is increasingly solid, both in terms of its pace and composition considering that the European economy has entered its fifth year of recovery, with a positive impact on all member countries even that private consumption remained the main driver of growth.
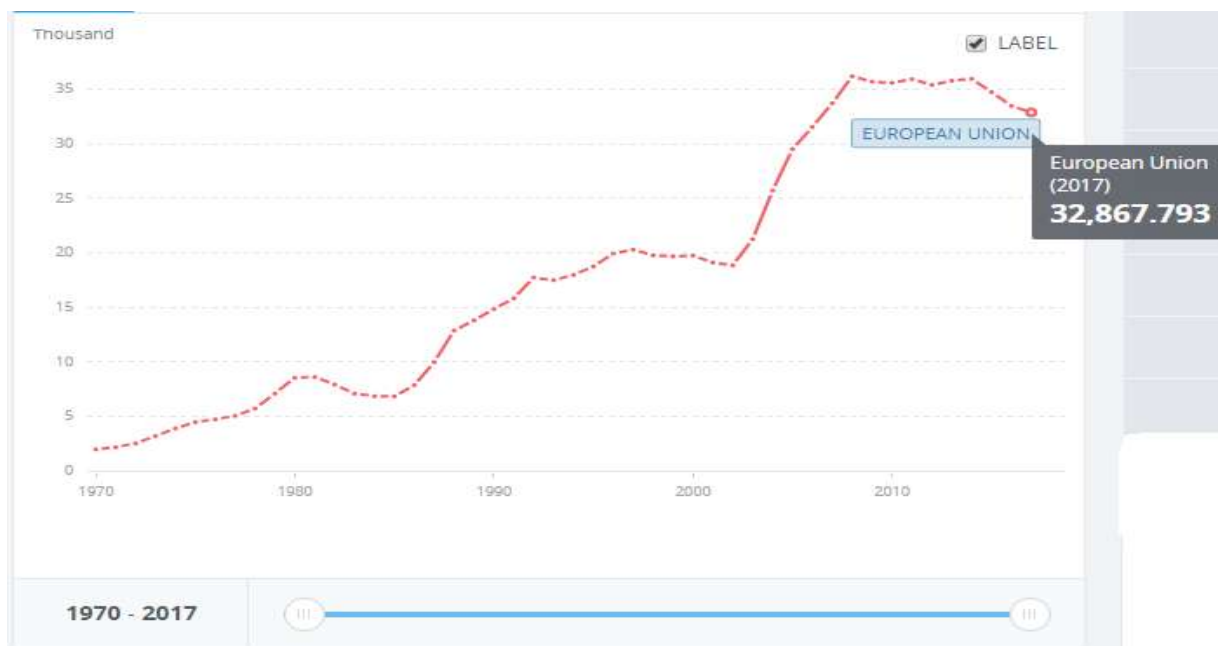

Figure 2. GNI per capita, Atlas method (current US$) for the period 1970-2017
Source: World Bank national accounts data, and OECD National Accounts data files.

The World Bank provides a classification of world's countries or economies based on four main groups according to the income criterion, ie low, lower-middle, upper-middle, and high based on gross national income (GNI) per capita, value calculated in the the currency of United States (dollars) by using the World Bank Atlas method. The low-income economies are defined by the World Bank as those with a GNI per capita of $995 or less in 2017; lower middle-income economies are those with a GNI per capita between $996 and $3,895; upper middle-income economies are those with a GNI per capita between $3,896 and $12,055; high-income economies are those with a GNI per capita of $12,056 or more. All previous informations apply for the current fiscal year, ie 2019.

Figure 3. Real GDP – A comparative analysis between the Member States of the European Union (in euro per capita)

Source: Authors own computation based on Eurostat databases.

The United Nations 2030 Agenda for Sustainable Development recently established global Sustainable Development Goals in order to end poverty and hunger everywhere; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; and to ensure the lasting protection of the planet and its natural resources. Beyond significant global implications, this United Nation Sustainable Development Goals(SDGs) are the following:

Goal 1. End poverty in all its forms everywhere;

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;

Goal 3. Ensure healthy lives and promote well-being for all at all ages;

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;

Goal 5. Achieve gender equality and empower all women and girls;

Goal 6. Ensure availability and sustainable management of water and sanitation for all;

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all;

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;

Goal 10. Reduce inequality within and among countries;

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable;

Goal 12. Ensure sustainable consumption and production patterns;

Goal 13. Take urgent action to combat climate change and its impacts;

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development;

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels;

Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development;

The Europe 2020 strategy has set very ambitious goals including in terms of combating poverty and social exclusion, ie at least 20 million fewer people in – or at risk of – poverty/social exclusion. Moreover, the new strategy implemented by the European Union is focusing on inclusive growth, namely on empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection, systems so as to help people anticipate and manage change, facilitating the spread of economic growth benefits to all parts of the European Union and build a cohesive society.

4. Conclusions

The empirical findings highlight the importance of combating the phenomena of poverty and social exclusion at the level of the European Union. Economic growth is an effective tool in reducing poverty, increasing employment rates and improving living standards. In recent years, the European Union has made some progress in meeting its goals on poverty eradication and combating social exclusion based on community policy strategies. However, there is still a clear discrepancy between developed countries and developing countries in the European Union. Developed countries should implement sustainable intervention actions in order to combat poverty and social exclusion in developing (emerging) countries. In another train of thoughts, fiscal policy consolidation has a significant contribution to reducing the negative effects of poverty and social exclusion.

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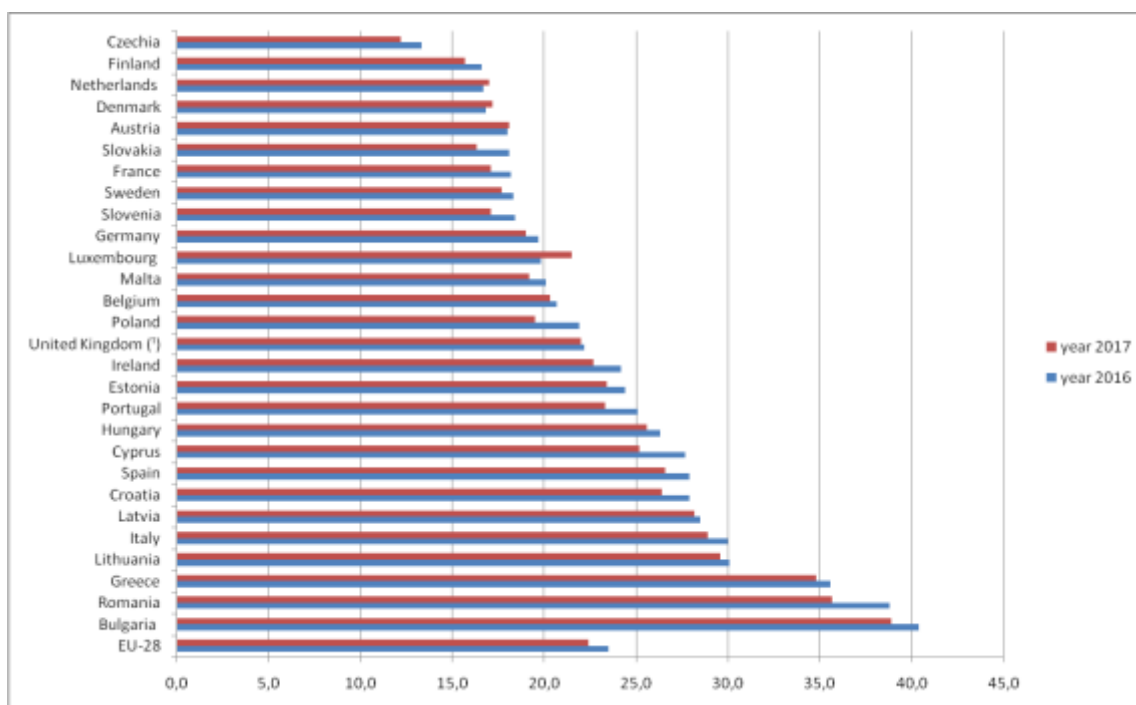
APPENDICES

Figure 4. Distribution of the population at risk of poverty or social exclusion rate, 2016-2017 (%)
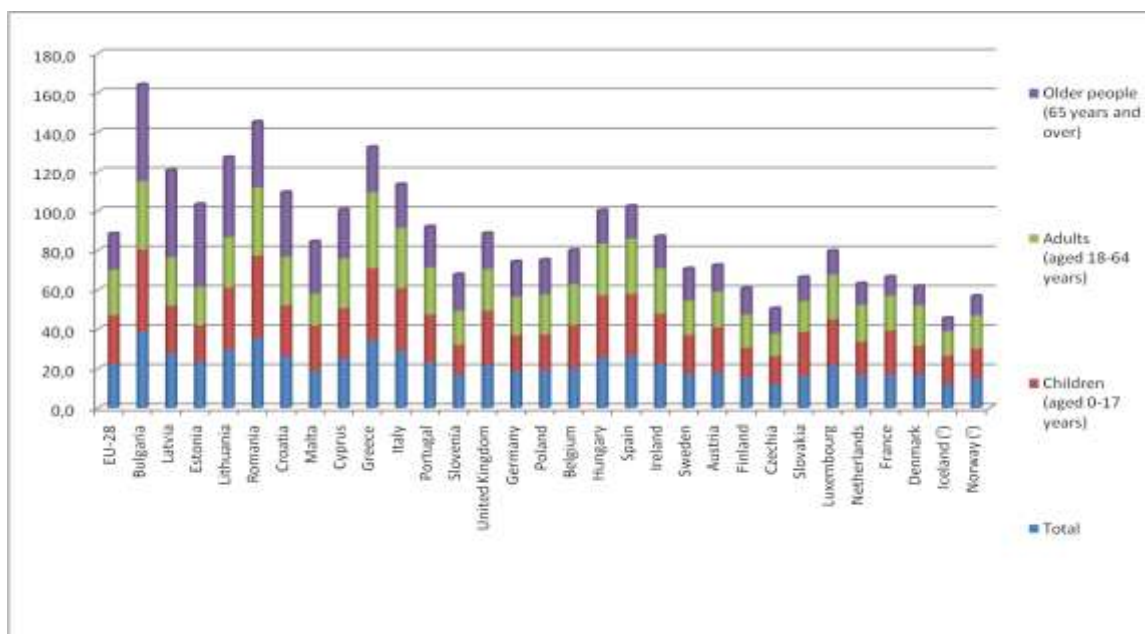*Source : Authors own computation based on Eurostat databases.*

Figure 5. People at risk of poverty or social exclusion, distributed by age group in 2017
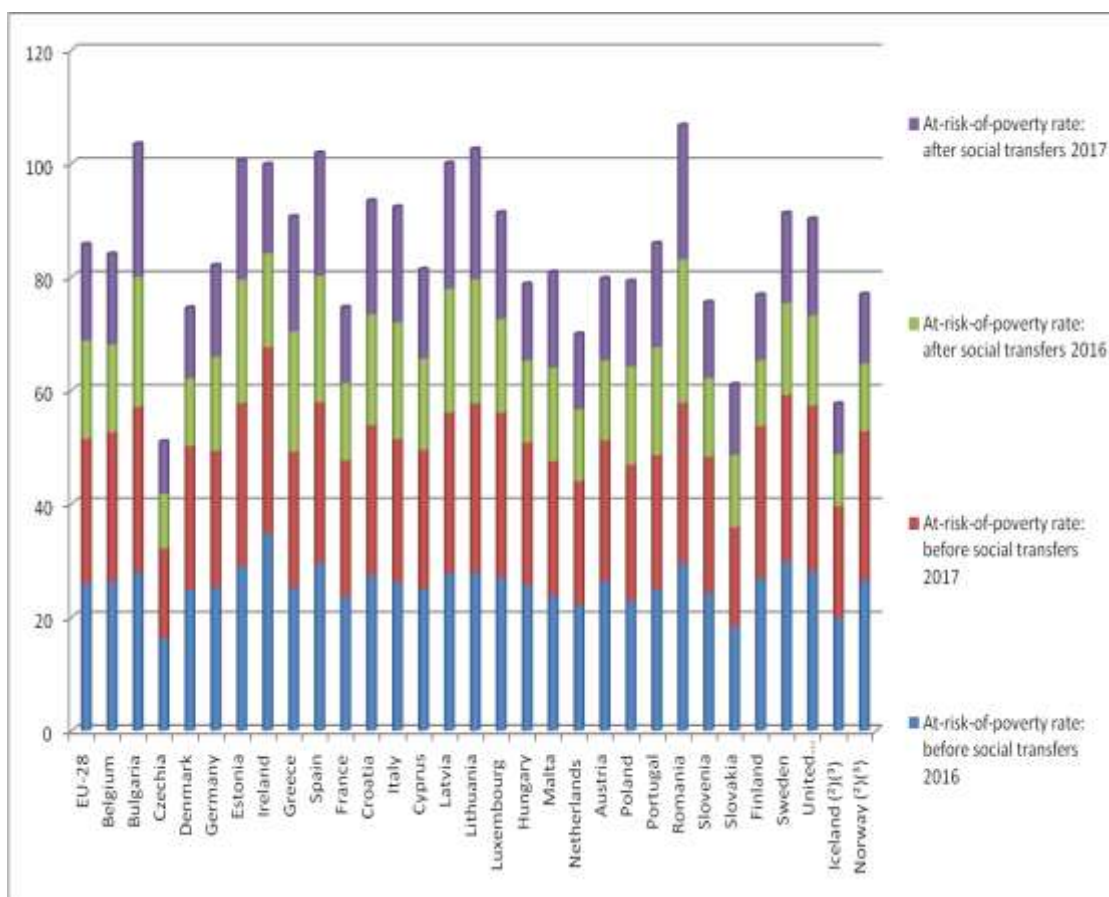*Source : Authors own computation based on Eurostat databases.*

Figure 6. Single person households at risk of poverty before and after social transfers for the years 2016 and 2017

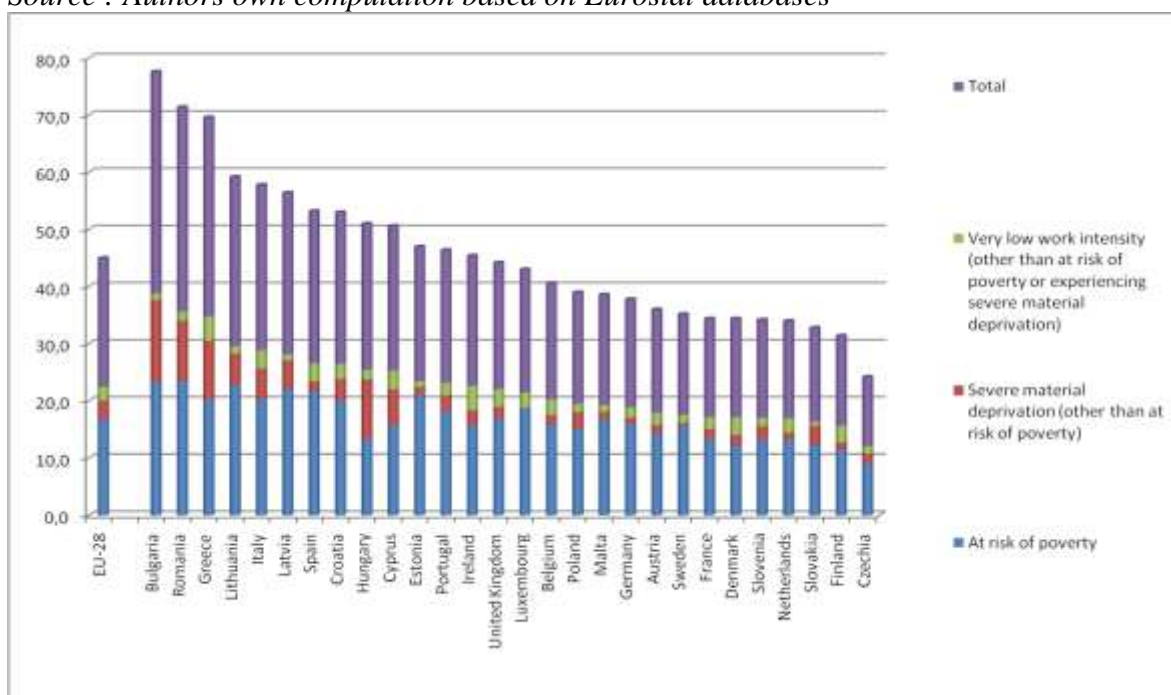*Source : Authors own computation based on Eurostat databases*

Figure 7. **Population at risk of poverty or social exclusion in 2017**

Source : Authors own computation based on Eurostat databases

Table no. 1. People at risk of poverty or social exclusion, distributed by age group in 2017

	Total	Children (aged 0-17 years)	Adults (aged 18-64 years)	Older people (65 years and over)
EU-28	22,4	24,9	23,0	18,2
Bulgaria	38,9	41,6	34,8	48,9
Latvia	28,2	23,9	24,5	43,9
Estonia	23,4	18,8	19,2	42,0
Lithuania	29,6	31,6	25,7	40,3
Romania	35,7	41,7	34,6	33,2
Croatia	26,4	25,8	24,6	32,7
Malta	19,2	22,8	16,1	26,4
Cyprus	25,2	25,5	25,3	24,6
Greece	34,8	36,2	38,6	22,8
Italy	28,9	32,1	30,5	22,0
Portugal	23,3	24,2	23,9	20,7
Slovenia	17,1	15,1	17,3	18,3
United Kingdom	22,0	27,4	21,3	18,0
Germany	19,0	18,0	19,6	17,7
Poland	19,5	17,9	20,4	17,4
Belgium	20,3	22,0	20,7	17,1
Hungary	25,6	31,6	26,3	16,8
Spain	26,6	31,3	28,2	16,4
Ireland	22,7	25,2	23,0	16,2
Sweden	17,7	19,4	17,5	16,1
Austria	18,1	23,0	18,0	13,4
Finland	15,7	15,1	16,7	13,2
Czechia	12,2	14,2	11,5	12,6
Slovakia	16,3	22,5	15,5	12,1
Luxembourg	21,5	23,6	22,8	11,8
Netherlands	17,0	16,6	19,0	10,6
France	17,1	22,3	17,7	9,5
Denmark	17,2	14,5	20,6	9,5
Iceland (¹)	12,2	14,4	12,6	6,4
Norway (¹)	15,3	14,9	17,1	9,5

Source : Eurostat databases.