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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	From Principles to Progress: the new European Pillar for Social Rights Action Plan and the first anti-poverty strategy - *Policy debate*

Delegations will find attached a background note as prepared by Eurofound, with a view to the policy debate at the Council (EPSCO) on 19 June 2025.

Eurofound

Anticipated threats to poverty in Europe: Navigating the new challenges Background paper

Prepared by Eurofound at the request of the Polish Presidency of the Council of the European Union for the 19 June 2025 EPSCO in Luxembourg

Anticipated threats to poverty in Europe: Navigating the new challenges
Background paper

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Introduction

This note informs the discussion on revising the European Pillar of Social Rights Action Plan and on developing a new EU Antipoverty Strategy, in light of the green and digital transition, and geo-political situation. It maps time trends in the at-risk-of-poverty or social exclusion rates, highlighting groups facing financial difficulties. It discusses the role of social protection and benefits, and the coverage and adequacy issues, acknowledging the importance of social inclusion. It then focuses on measures that reduce people's energy bills, decreasing the EU's energy dependency on non-EU countries and being in line with the green transition, but failing to reach many who most need them. Lastly, it explores the importance of access to enabling services, and of prevention of in-kind and monetary support needs.

Poverty rates are declining, yet not all socioeconomic groups benefit from this trend

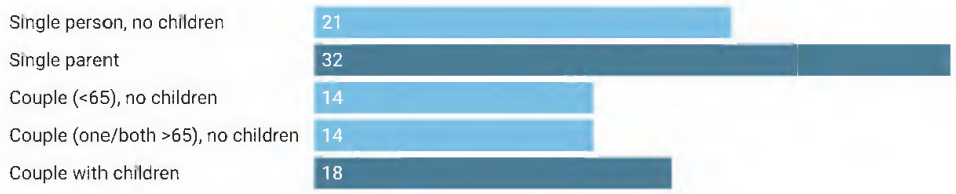
In 2024, 93.3 million people (21% of the population) in the EU were at risk of poverty or social exclusion (AROPE), a decrease from 94.4 million in 2023 (21.3% of the population.[1]) The AROPE rate is the main indicator used to monitor progress towards the EU 2030 target on poverty and social exclusion. Over the past decade, the number of people at risk of poverty or social exclusion declined by 11.6 million, reducing the overall AROPE rate from 24% to 21%.

The proportion of people at risk of poverty or exclusion ranges from 11.3% in Czechia to over 25% in Bulgaria, Greece, Lithuania, Romania and Spain (according to 2024 data).

Furthermore, since the proclamation of the European Pillar of Social Rights in 2017, there has been significant upward convergence in the AROPE indicator, marked by a reduction in disparities among Member States accompanied by a decrease in the overall trend. Extensive analysis of trends in poverty and social exclusion are presented in the 'Joint Employment Report' (European Commission, 2025) as well as the Annual Report of the Social Protection Committee (European Commission, 2024a).

However, aggregate poverty rates may mask the vulnerabilities that different groups face. For instance, analysis has shown that the child population at risk of poverty or social exclusion has increased by 0.6 million between 2019 and 2023 (European Commission 2024a). Furthermore, EU survey data show that households with dependent children face more financial strain than those without children (Figure 1). Of particular concern is the large proportion of single parents (mostly women) who struggle to make ends meet. Statistical analysis based on Eurofound survey data highlight that, even after controlling for other important determinants of financial well-being (including income, education and employment status), both single parents and couples with children are significantly more likely to suffer from material deprivation.[2]

Figure 1: Difficulties making ends meet (%), EU, 2023



Note: *The graph represents the proportion of each type of household who report that it is difficult or very difficult to make ends meet.*
Source: *Authors' calculations from EU SILC microdata, 2023*

[1] ilc_peps01n

[2] Eurofound estimates based on the 2024 wave of *Living and Working in the EU e-survey*.

The recent surge of prices that triggered a cost-of-living crisis made it more difficult for many Europeans to make ends meet. An important component of living costs are the costs associated with housing. These costs represent an especially large proportion of income among low-income groups. Of all households spending at least 40% of their income on housing (i.e. 'housing cost over-burdened households'), 61% struggle to make ends meet. Overburdened households with low incomes and children are more likely to face these difficulties. A group at risk of being overlooked are people who own their home without a mortgage, but who cannot afford to keep their homes at adequate temperature. In 2023, in the 17 Member States where at least 45% of households own their homes outright (all post-communist, or southern European), an average 9% of all people living in rural areas (and 6.8% in urban areas) could not afford to adequately heat their homes (Eurofound, 2023 ([3])).

Social benefits alleviate poverty, but there are coverage gaps and adequacy issues

Social benefits can mitigate the impact of shocks in terms of decreased income or increased expenditure needs. They can facilitate people to live in dignity and enable them to actively participate in society. In the EU, in 2024, the at-risk-of poverty rates before social transfers reduced by 34.4% due to social transfers (excluding pensions).([4]) Social transfers further raise larger proportions of people out of deeper situations of income poverty. However, this may not be enough to reach the EU poverty targets, especially in the context of the risks posed by the new geo-political situation (for instance by tariffs), and the possible impact of green and digital transitions (Eurofound, 2024; Eurofound and EEA, 2023). Poverty can also be reduced by better prevention of poverty and active inclusion, combining adequate income with access to work for people of working age and access to supporting services (as discussed later). However, the poverty-reduction potential of social benefits can be achieved by closing coverage gaps and improving adequacy.

In particular, higher tier unemployment benefits can raise income above the poverty threshold, but these benefits fail to reach many people with short or no employment records (mainly young people), self-employed and those with non-standard working arrangements, and long-term unemployed. The Council Recommendation on access to social protection contributes to this for instance by aiming to encourage EU countries to allow non-standard workers and the self-employed to adhere to social security schemes. Furthermore, Member States accelerated the pace at which unemployment benefits decrease over time, amounts are often capped at below the poverty threshold, and benefits are particularly low for people whose previous job was low paid (Eurofound, 2024).

Minimum income schemes play an important role in alleviating poverty. However, groups are left uncovered. These include households with low incomes or assets (homes that increased in value) just above the entitlement threshold, groups of non-nationals (third-country nationals with temporary resident permits, EU citizens looking for work) and homeless people. Minimum income schemes usually do not reach between 30-50% of the people who would qualify if they applied, often because of unawareness of the existence of these benefits, of being entitled to them, or of how to apply. In several countries, low-income workers and homeowners are sometimes unaware of being able to combine these benefits with work and homeownership respectively. Automation of benefits addresses such non-take-up, but is currently largely limited to child benefits. Furthermore, non-mainstream situations (homeless people, people with non-standard contracts) are often left out of the digitalisation of social protection, for instance because it is impossible to check entitlement through databases (Eurofound, 2024; 2025 forthcoming).

Among social benefit recipients generally, certain groups are particularly likely to face difficulties making ends meet, often because their larger needs are insufficiently considered. These include people with health problems or disabilities, single parents and households with many children, people without access to social housing, and long-term benefit recipients (Eurofound, 2024).

Since the Council Recommendation on minimum income was adopted in January 2023, some Member States implemented (Romania in 2024) or enhanced (Slovakia in 2023) automatic indexation, or increased the frequency with which it is applied (Latvia in 2023). Automatic indexation is applied in 15 Member States, but in several of them it is based on general consumer price indexes, which does not adequately reflect inflation faced by low-income households (Eurofound, 2024).

([3]) And updated SILC microdata analysis

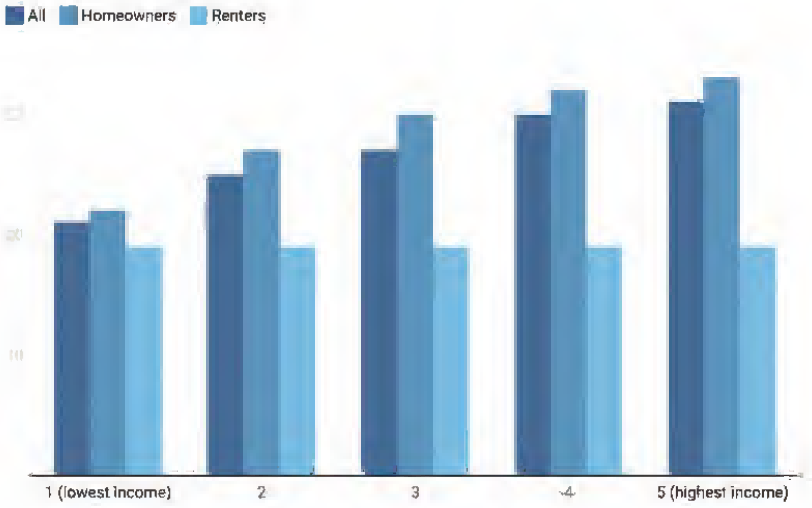
([4]) https://ec.europa.eu/eurostat/cache/dashboard/social-scoreboard/

Decreasing energy-dependency can boost resilience, but current policies lack sufficient targeting towards low-income groups

The cost of living has increased dramatically over the past years. Energy costs form an important part of household expenditure for people with low and medium incomes in particular (European Commission, 2024b). The policy focus is usually on facilitating access to energy. However, ideally, energy needs are reduced, for instance through better insulation and facilitating usage of low-energy transport modes. Decreasing households' needs to purchase energy (which can also be achieved for instance by installing solar panels) improves household's resilience against future price increases, while reducing the EU's energy-dependence on non-EU countries. However, in order to achieve these objectives, measures need to more effectively reach low-income groups, particularly in terms of housing and transport supports (Eurofound, 2022a; 2024). Dwellings of people in the bottom income quintile are 10 percentage points less likely to have undergone retrofitting in the past five years, than those of people in the top quintile. This difference ranges from below five percentage points in Poland, Slovenia, Malta, Lithuania, Estonia and Luxembourg to above 15 percentage points in Hungary, Portugal, Cyprus, Belgium, Italy, Ireland and Bulgaria.

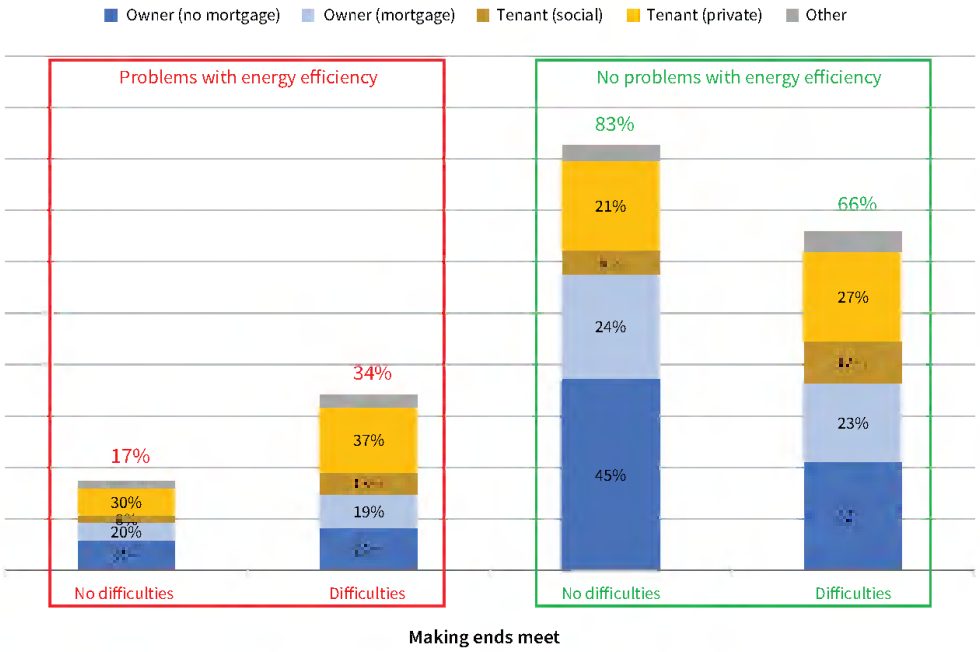
Low-income groups may be unable to afford co-payments or pre-payments (even when reimbursed) for home insulation, solar panels or electric cars, or they are unaware of support or how to apply for it. Relative to higher income groups, they are more likely to rent rather than own their homes. Incentives to increase energy efficiency are often inappropriate to ensure both lessors and tenants benefit. Retrofitting is less common for tenants than for homeowners for any income quintile (Figure 2). Among people reporting difficulties making ends meet, 34% experience problems with poor insultation or energy inefficiency of their homes. Most (37%) of them are private tenants (Figure 3). Overall, both social and private tenants are over-represented among people who report home energy inefficiency problems.

Figure 2: Percentage of households that have carried out at least one retrofitting project on their home in the last five years, by income quintile, on aggregate and by tenure type, EU, 2023



Source: *Authors' calculations based on EU SILC data*

Figure 3: Home energy efficiency problems, among people with and without difficulties making ends meet, by tenure, EU, 2022



Notes: *Question: 'Thinking about your accommodation, how problematic are the following issues for you?' 'poor insulation/energy efficiency'. Answer on a scale ranging from 1 to 5, where 1 indicates not at all problematic and 5 indicates extremely problematic.' Answers 4 and 5 are considered as problematic in this graph.*
Source: *Analysis of microdata from Eurofound, Living, working and COVID-19 e-survey, fifth round (carried out 25 March to 2 May 2022)*

Access to enabling services is key, but more needs to be done to reduce in-kind and monetary support needs

Access to quality services can cater for differences in needs. For instance, having a low income is more consequential for households with children or whose members have health problems if education and healthcare services are costly. Furthermore, good access to (public) transport and childcare can be key in enabling people to work.

Access to services: look beyond formal entitlements

To guarantee access to enabling services, one needs to look beyond formal entitlements and reported unmet needs alone. Take care services. It is important to consider access all the way from recognising care needs until meeting them. Overall, 2.5% of the EU's population reporting unmet medical needs in 2024.([5]) However, these exclude people whose needs are met, but with a delay (and thus may have escalated), and people who do not identify their needs. Furthermore, for instance, among people who used e-healthcare, 53% reported that it did not completely meet their needs. For unmet Early Childhood Education and Care (ECEC) and long-term care needs, people may not perceive needs if met by informal care, which may not always be sustainable (Eurofound, 2020; 2022b).

To illustrate, mental healthcare is discussed. Mental health has been an increasing cause of sick leave and disability pension withdrawal, and - after decades of decreases - deaths from suicides show increases. In the EU, people in need of mental healthcare are generally entitled to it at low or no cost, especially for heavier care needs. However, many do not seek care, because of

([5]) https://ec.europa.eu/eurostat/cache/dashboard/social-scoreboard/

stigma and discrimination of people with poor mental health, and lack of access to care that is trusted and fits people's needs. Furthermore, care capacity is lacking, especially in rural areas and for children. Timely care for lighter needs is often only accessible by people who can pay for it (Eurofound, 2025 forthcoming).

Reducing support needs

More emphasis is needed on prevention of in-kind and monetary social protection needs. Otherwise, human and financial resources will not suffice to meet needs. For physical and mental health and long-term care services, for instance, this can be achieved by improving working and living conditions. In line with a social investment approach, providing better access to care can be part of this, for instance by preventing poor health among over-burdened informal carers. It also provides relief for formal care workers by expanding the workforce, as it facilitates increased working hours for the many care workers working part-time due to informal care provision. Better access to ECEC for disadvantaged children in particular, and more broadly the implementation of the European Child Guarantee, can further contribute to preventing children's future care needs (Eurofound, 2022b; 2025 forthcoming)

Investment in education, (re)skilling and bespoke support for job transition are key in the context of mitigating the impacts of the digital and green transitions (Eurofound and EEA, 2023). Furthermore, benefit dependence can also be decreased by reducing disincentives to take up employment or to decrease working hours. For instance, Member States' unemployment benefit systems still have incentives to 'use up' benefit entitlement before taking up work. These should be reduced by increasing flexibility, for instance ensuring that remaining unemployment benefit can be kept for subsequent spells of unemployment (as for instance in DK) (Eurofound, 2024). Policies that successfully encourage (re)integration into the workforce can benefit the whole of society, as well as individuals. For example, the yearly economic burden of having young people not in education, employment or training ('NEET') is close to or above 1 % of GDP in Greece (1.15 %), Italy (1.1 %) and Belgium (0.8 %)[6] amounting to a total loss of EUR 121 billion in all Europe.

About three quarters of EU Member States have Housing First-inspired schemes in place, offering housing to homeless people. Policy evaluations are widespread, demonstrating their effectiveness in addressing homelessness, and in preventing support needs stemming from homelessness. However, few programmes have the capacity to house more than 1 % of the country's homeless population, and some provide shared housing or require engagement with services. Stepping this up and preventing homelessness by, for instance, approaching people with support when they have housing arrears, are key (Eurofound, 2023).

Conclusion

Poverty has been reducing but remains high among certain groups, including households with children. The geo-political situation and the digital and green transitions may impact this development negatively. In this context, policymakers could consider addressing coverage gaps in, and adequacy of, social benefits. It is important to monitor the impact digitalisation of social protection has on non-take-up. Low-income households' energy needs should be reduced more effectively. Access to enabling services should be improved, looking beyond legal entitlements alone. Ex-ante and ex-post distributional impact assessments are key.[7] Finally, more emphasis is needed on the prevention of in-kind and monetary social protection needs, and to invest in services that can contribute to this, such as education and Housing First.

[6] Eurofound updated calculations, based on methodology presented in Eurofound (2012).

[7] https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/addressing-poverty-and-supporting-social-inclusion/access-essential-services/distributional-impact-assessment_en

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