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Audit preview

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Child poverty

June 2019

Poverty and social exclusion during childhood remain challenges across many Member States. Both can have a significant impact on opportunities later in life, ranging from material deprivation to unemployment as an adult.

According to the latest available Eurostat data (2017), almost 24 million children under 18 are at risk of poverty or social exclusion in the 28 EU Member States (i.e. 24.9 % of the overall child population). The fight against poverty and social exclusion is at the heart of the Europe 2020 strategy, which set a target of lifting at least 20 million people out of the risk of poverty or social exclusion by 2020 from 2008.

The audit will examine the effectiveness of the Commission's support to Member States in reducing child poverty by analysing three policy instruments, namely, the Recommendation on "Investing in Children" (2013/112/EU), as well as, the European Pillar of Social Rights and the European Semester.

The audit will also examine whether the Commission's actions are contributing to Member States' efforts to tackle child poverty through the use of EU funding. The current EU funding opportunities available in this area come mainly from the European Social Fund (ESF).

The issue of child poverty is currently high on the political agenda following the European Parliament's proposal for a Child Guarantee in 2021-2027. This audit's conclusions and recommendations could provide valuable insight into how best to use EU funding as part of the future policy responses to combat child poverty and on the adequacy of current EU policy responses.

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Background: Poverty and social exclusion during childhood

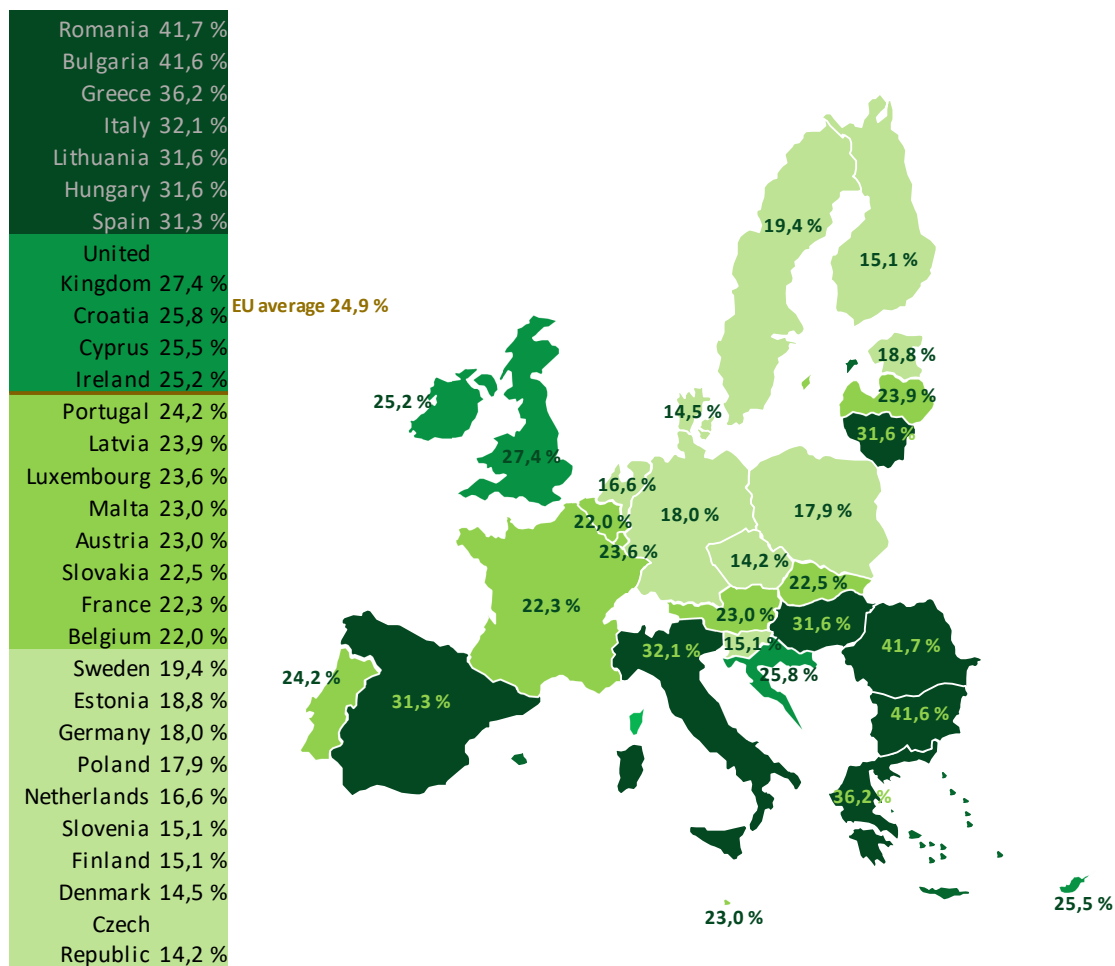
The fight against poverty and social exclusion is at the heart of the Europe 2020 strategy¹ as one of five targeted areas chosen by policy makers to achieve smart, sustainable and inclusive growth within the European Union (EU). The Strategy set a target of lifting at least 20 million people out of the risk of poverty or social exclusion by 2020, from 2008.

Identifying groups with a heightened risk of poverty or social exclusion, and determining the reasons behind this vulnerability, is the key to creating sound policies to fight poverty². These groups include children, young people, people with disabilities, the unemployed, single parent households and those living alone, people with lower educational attainment, people born in a country other than the one in which they live, disadvantaged families (such as those living within the Roma community), and, in the majority of Member States, people living in rural areas³.

Why is child poverty important?

According to the latest available Eurostat data (2017), almost 24 million children under 18 are at risk of poverty or social exclusion in the 28 EU Member States (24.9 % of the overall child population). This figure has decreased only slightly since the peak of the economic crisis in 2012, when it was 28.1 %⁴. Levels vary significantly across the 28 Member States (see [Figure 1](#)).

Figure 1 – Children (under 18) at risk of poverty or social exclusion (AROE), 2017

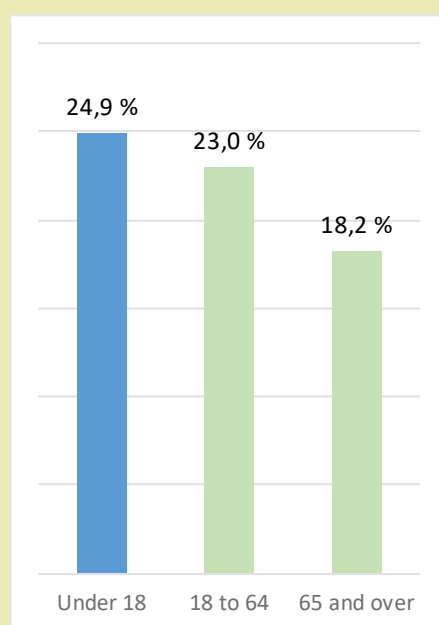


Source: ECA based on Eurostat database "Children at risk of poverty or social exclusion" [tespm040].

BOX 1 – Measuring Child poverty – the AROPE indicator

The number of people considered at risk of poverty or exclusion is measured by the “AROPE” indicator, which is based on EU statistics on income and living conditions (EU SILC). AROPE is a combination of three indicators: the “at-risk-of-poverty” indicator, an indicator of “severe material deprivation, and an indicator of “very low household work intensity”⁵.

Figure 2 – People at risk of poverty or social exclusion (AROPE) by age group, 2017



Source: Eurostat ilc_peps01.

Child poverty is increasingly understood to be a complex, context-specific, multidimensional phenomenon, encompassing not only a lack of money and assets but also other forms of deprivation connected to children’s survival, development, protection and participation in decisions that affect their lives.

Parents’ monetary poverty⁵ is the main driver of multidimensional child poverty, and children living in multidimensional poverty are more likely to experience monetary poverty as adults (see [Figure 3](#)).

Figure 3 – Multidimensional child poverty



Source: EP study, Child poverty: the role of EU funding, p. 20.

Studies have repeatedly found that relatively low-cost investment during childhood can yield a lifetime of gains, not only for individuals, but also for societies and economies⁶. Moreover, the financing costs are found to be significantly lower than the economic benefits of the investment, making the impetus of investing in children even greater⁷.

Legislative framework

The **Treaty on European Union (TEU)**⁸ provides that the EU “... shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child”.

The **Treaty on the Functioning of the European Union (TFEU)**⁹ stipulates that shared competence between the Union and the Member States shall apply in the area of social policy. Furthermore, the Union shall support and complement the activities of the Member State in combating social exclusion (which encompasses child poverty)¹⁰. It also provides for the Union to support, coordinate or supplement the actions of Member States, while also encouraging their cooperation, in other areas related to child wellbeing, such as education and health¹¹.

The **EU Charter of Fundamental Rights**¹² guarantees children the right to the protection and care necessary for their well-being (Article 24). The Charter has the same legal value as the EU Treaties, and is binding for the EU institutions in accordance with their powers and for EU Member States when implementing EU law. Furthermore, all EU Member States are bound by the **UN Convention on the Rights of the Child**¹³. This Convention should therefore guide the EU as well as national (and sub-national) policies and actions that have an impact on the rights of the child¹⁴.

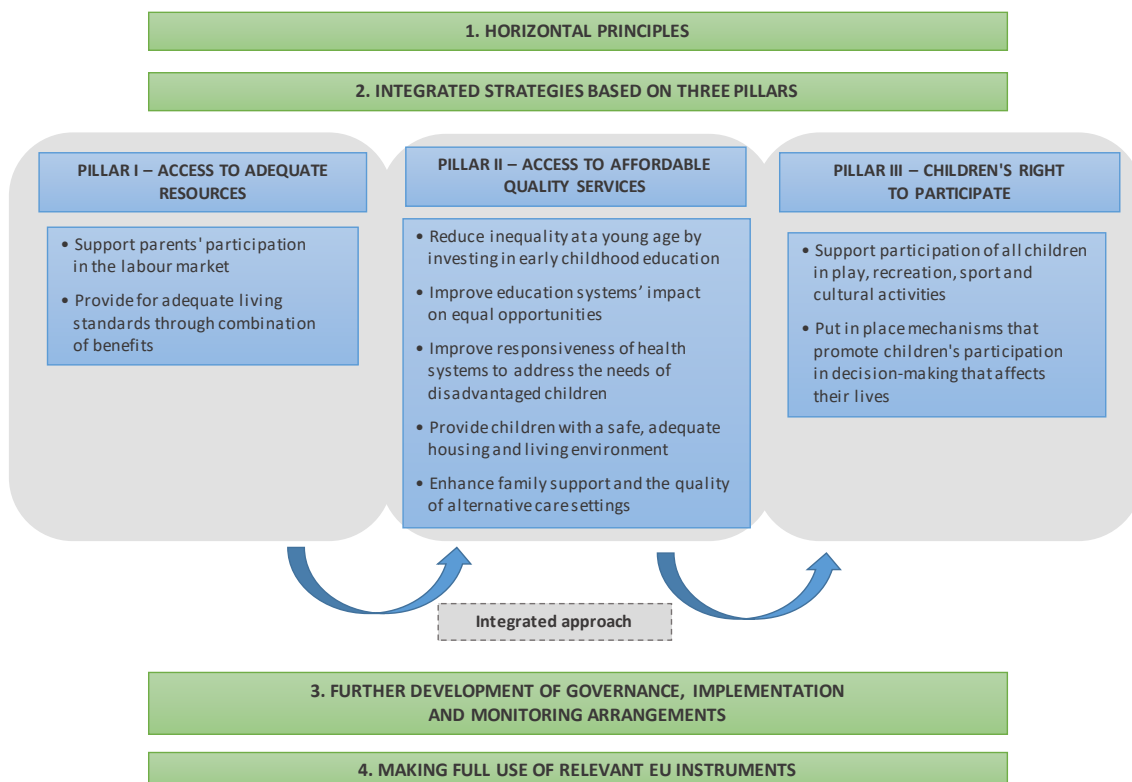
EU Member States also have legal obligations regarding economic and social rights deriving from their adherence to the **Treaty system of the European Social Charter of the Council of Europe**¹⁵. Article 17, for example, establishes the right of children to social and economic protection.

EU initiatives to tackle child poverty

In February 2013, the European Commission made its “Recommendation on Investing in Children: breaking the cycle of disadvantage”¹⁶ to Member States as part of its Social Investment Package (SIP)¹⁷. The Recommendation takes an explicit stance on children’s rights by referring to the UN Convention on the Rights of the Child (UNCRC)¹⁸.

It recommends reducing child poverty and breaking the cycle of disadvantage across generations using an integrated approach focusing on children and their families. For this reason, the 2013 Recommendation sets out a **comprehensive integrated approach** built on three pillars (see [Figure 4](#)).

**Figure 4 – Structure of the Commission Recommendation
“Investing in children: breaking the cycle of disadvantage”**



Source: ECA based on Commission Recommendation of 20 February 2013 – Investing in children: breaking the cycle of disadvantage 2013/112/EU.

Other European institutions have also focused on child poverty issues. In November 2015, the European Parliament adopted a resolution on “Reducing inequality, in particular child poverty”¹⁹ recommending that Member States make a real commitment to developing policies to fight child poverty. The Resolution called for the effectiveness of this support to be monitored and evaluated in order to adapt policies to combat poverty, and recommended that the Commission establish a roadmap with Member States for the implementation of the three-pillar approach taken in the 2013 Recommendation.

The Parliament also called on the Member States to fully integrate relevant aspects of the Social Investment Package (SIP) and the 2013 Recommendation into their annual National Reform Programmes and National Social Reports. Furthermore, it called on the Commission to set a Europe 2020 sub-target for reducing child poverty and social exclusion, to make the reduction of child poverty and social exclusion visible and explicit at all stages of the European Semester programming cycle.

The Employment, Social Policy, Health and Consumer Affairs Council configuration (EPSCO) invited the Commission to keep the prevention of and fight against poverty and social exclusion high on the agenda. It encouraged the Member States to recognise the value of applying an integrated approach²⁰ in accordance with the 2013 Recommendation.

In November 2017, the European Parliament, the Council and the European Commission proclaimed the European Pillar of Social Rights²¹. The Pillar sets out 20 key principles to support fair, well-functioning labour markets and welfare systems. The Pillar has been set up as a reference framework to screen the employment and social performance of participating Member States, to drive reforms at national level and, more specifically, to serve as a compass for the renewed process of convergence towards better working and living conditions in Europe.

The Pillar includes Principle 11, devoted to

- the right to affordable and good quality early childhood education and care (ECEC);
- the right to protection from poverty; and
- the right of children from disadvantaged backgrounds to specific measures to enhance equal opportunities.

Preparatory action for a child guarantee

In 2015, the European Parliament²² called for a child guarantee that would help ensure that every child in Europe at risk of poverty or social exclusion has access to free healthcare, free education, free early childhood education and care, decent housing and adequate nutrition.

In 2017, the European Parliament voted for preparatory action to look at the feasibility of a rights-based child guarantee scheme and asked the Commission to implement it. A feasibility study of the Child Guarantee Scheme is due to present its results²³ in early 2020.

In January 2018, the European Parliament adopted amendments on the Commission's proposal for the ESF+ Regulation²⁴ for 2021-2020 that includes references to the creation of a European Child Guarantee with an envisaged budget of 5.9 billion EUR. At the time of this audit preview, the negotiations on the legislative proposal and relevant amendments are not yet finalised.

EU funding to tackle child poverty

EU funding for addressing child poverty policy is available through several instruments, mainly the European Social Fund (ESF), but also the European Regional and Development Fund (ERDF), the Fund for European Aid to the Most Deprived (FEAD) and the Employment and Social Innovation (EaSI) programme. However, no specific priority investment directly targets child poverty within the framework of the 2014-2020 programme period.

The current EU funding opportunities available to combat social exclusion, including child poverty, come mainly from the European Social Fund. The funding options for tackling child poverty are included under the overall ESF allocation for Thematic Objectives (TO) 8, 9 and 10 (see [Table 1](#)).

Table 1 – ESF allocation for Thematic Objectives (TO) 8, 9 and 10

Thematic Objective	Amount
Thematic Objective 8 – Promoting sustainable and quality employment and supporting labour mobility	27,5 billion EUR
Thematic Objective 9 – Promoting social inclusion, combating poverty and any discrimination	21,2 billion EUR
Thematic Objective 10 – Investing in education, training and vocational training for skills and lifelong learning	27 billion EUR
Total	75,7 billion EUR

Source: ECA based on Commission data.

While 75,7 billion euro (see [Table 1](#)) represents the total ESF allocation under the general themes of employment, social inclusion and combating poverty, a precise figure on amounts allocated specifically to tackling child poverty is not available.

Roles and responsibilities

Tackling child poverty is the responsibility of the Member States, but the EU has a role to play by complementing and supporting Member States' child poverty actions.

Child poverty is mainly the policy domain of the following Directorates-General:

- Directorate-General for Employment, Social Affairs and Inclusion, as the leader on child poverty;
- Eurostat, as Directorate-General responsible for official poverty-related indicators;
- other Directorates-General responsible for supporting policies and/or funding possibilities (e.g. Directorate-General for Education and Culture, Directorate-General for Regional and Urban Policy and Directorate-General for Justice and Consumers).

Focus of the audit

The audit aims to analyse how child poverty has been dealt with by the Commission in its different policy instruments, and the support Member States have received from the Commission to tackle it during the 2014-2020 programme period. We will examine:

- the Commission's contribution to the reduction of child poverty in the EU through the available mechanisms, which include the Commission Recommendation on Investing in Children, the European Pillar of Social Rights and the European Semester;
- the EU funding available for addressing child poverty (mainly the European Social Fund, and any complementary links with other funding).

In the course of our audit, we will analyse key issues identified during the preparatory phase. Since these focus areas have been identified before the audit work commences, they should not be regarded as audit observations, conclusions or recommendations.

ABOUT ECA SPECIAL REPORTS AND AUDIT PREVIEWS

The ECA's special reports set out the results of its audits of EU policies and programmes or management topics related to specific budgetary areas.

Audit previews provide information in relation to an ongoing audit task. They are based on preparatory work undertaken before the start of the audit and are intended as a source of information for those interested in the policy and/or programme being audited.

If you wish to contact the team in charge of this audit, please do so through the following e-mail address: ECA-child-poverty-audit@eca.europa.eu.

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- ¹ European Commission, Communication from the Commission – EUROPE 2020, A strategy for smart, sustainable and inclusive growth, Brussels, 03/03/2010, COM(2010) 2020.
 - ² Eurostat: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Europe_2020_indicators_-_poverty_and_social_exclusion&oldid=288620#General_overview.
 - ³ Eurostat, Smarter, greener, more inclusive? – Indicators to support the Europe 2020 strategy – 2018 edition, Eurostat Statistical books, p. 115.
 - ⁴ European Agency for Fundamental Rights, Combating child poverty: an issue of fundamental rights, Vienna, October 2018.
 - ⁵ Eurostat Glossary: People are considered at risk of monetary poverty when their equivalised disposable income (the total income of a household, after tax and other deductions) after social transfers is below the at-risk-of-poverty threshold. This is set at 60 % of the national median equivalised disposable income after social transfers. See https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Monetary_poverty.
 - ⁶ UNICEF, A brief review of the social and economic returns to investing in children, June 2012, available at: https://www.unicef.org/socialpolicy/files/Investing_in_Children_19June2012_e-version_FINAL.pdf.
 - ⁷ UNICEF, Right in Principle and in Practice: A Review of the Social and Economic Returns to Investing in Children, Social and Economic Working Paper, 2012, p. 33. Available at: https://www.unicef.org/socialpolicy/files/Investing_in_Children.pdf.
 - ⁸ Consolidated version of the Treaty on European Union, OJ C 326, 26.10.2012, p. 13, Article 3.
 - ⁹ Consolidated version of the Treaty on the Functioning of the European Union, OJ C 326, 26.10.2012, p. 47, Article 151.
 - ¹⁰ Consolidated version of the Treaty on the Functioning of the European Union, OJ C 326, 26.10.2012, p. 47, Articles 4 and 153.
 - ¹¹ Consolidated version of the Treaty on the Functioning of the European Union, OJ C 326, 26.10.2012, p. 47, Articles 6, 156 and 165.
 - ¹² Charter of Fundamental Rights of the European Union, (2000/C 364/01).
 - ¹³ Convention on the Rights of the Child, Adopted and opened for signature, ratification and accession by General Assembly resolution 44/25 of 20 November 1989 entry into force 2 September 1990, in accordance with article 49.
 - ¹⁴ The United Nations Convention on the Rights of the Child are available at <https://www.ohchr.org/EN/ProfessionalInterest/Pages/CRC.aspx>.

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- ¹⁵ Available at: <https://rm.coe.int/168006b642>.
- ¹⁶ Commission Recommendation of 20 February 2013 – Investing in children: breaking the cycle of disadvantage (2013/112/EU).
- ¹⁷ European Commission, The Social Investment Package consists of a Communication setting out the policy framework, concrete actions to be taken by Member States and the Commission and guidance on the use of EU funds to support reforms, COM(2013) 83 final.
- ¹⁸ Adopted and opened for signature, ratification and accession by General Assembly Resolution 44/25 of 20.11.1989. Entry into force 2.9.1990, in accordance with Article 49.
- ¹⁹ European Parliament resolution of 24 November 2015 on reducing inequalities with a special focus on child poverty (2014/2237(INI)).
- ²⁰ Combating Poverty and Social Exclusion: An integrated approach – Council Conclusions (16 June 2016), 10434/16.
- ²¹ The European Pillar of Social Rights was signed jointly by the European Parliament, the Council and the Commission, on 17 November 2017, at the Social Summit for Fair Jobs and Growth in Gothenburg, Sweden. For more information, see: https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en.
- ²² European Parliament resolution of 24 November 2015 on reducing inequalities with a special focus on child poverty (2014/2237(INI)), paragraph 46.
- ²³ The study started in November 2018 and is being carried out by a consortium consisting of Applica and the Luxembourg Institute of Socio-Economic Research (LISER), in close collaboration with Eurochild and Save the Children, and with the support of nine thematic experts, 28 national experts and an independent study editor.
- ²⁴ Amendments adopted by the European Parliament on 16 January 2019 on the proposal for a regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF+) (COM(2018)0382 – C8-0232/2018 – 2018/0206(COD)).

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