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Mr Herman Van Rompuy
President of the European Council
175 rue de la Loi
B- 1048 Brussels

10 May 2010

Dear President,

Best Herman,

Following the March European Council, further work was required on certain aspects of the five EU headline targets, including the headline target of promoting social inclusion through the reduction of poverty.

BUSINESSEUROPE strongly supports the overall objective of reducing poverty in the EU. However, for the reasons set out in the document at annex, we have doubts regarding the appropriateness of an EU-level target on poverty and the technical suitability of the proposed indicator to measure progress towards this target.

We hope that this note will provide constructive input to the current discussions, in particular in the run-up to the European Council on 17-18 June.

I remain at your disposal to answer any questions you might have.

Yours sincerely,

Vriendelijke groet,

Philippe de Buck

Philippe

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REQUIS:	17. 05. 2010
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4 May 2010

EU POVERTY TARGET

Introduction

- The objective of reducing poverty in the EU is important. The treaty restricts the EU to the following activities in the area of poverty:
 - In defining and implementing its policies and activities, the Union shall take into account requirements linked to the fight against social exclusion (article 9).
 - The member states and Union share competence for social policy, including in the area of integration of persons excluded from the labour market (article 153).
- The efficiency of combating poverty by setting a specific target at EU level is highly questionable. As part of the open method of coordination, the EU's role is to coordinate mutual learning and assessment of the effectiveness of member states' policies, including in the area of poverty. This role is important in ensuring that policies to tackle poverty and social exclusion are well coordinated between EU countries.

Relevance of an EU target on poverty

- Poverty and social exclusion are complex problems with many different causes, which vary widely across member states. Basing an EU level target solely on income cannot adequately reflect this complexity. A range of indicators is necessary to measure poverty, whereby individual member states may need to focus on different types of targets, depending on the best way to combat poverty in their national context.
- The main shortcoming with respect to the targets proposed by the European Commission is the absence of an economic growth target. This, coupled with the employment rate target is the best way to tackle poverty. Improving the competitiveness of European companies and the European economy as a whole, will help to create employment and thereby reduce poverty. The introduction of an economic growth target should therefore be the priority.
- Increasing employment, as the best way to combat poverty, requires well functioning labour markets and active labour market policies. This is essential to ensure that those people who are able to work are encouraged on to the labour market and remain in work. Education and training systems adapted to the needs of the labour market are important in this respect, in particular in ensuring the successful transition of young people. This is a key element in avoiding poverty in the long term. In this context, implementation of flexicurity principles by member states should be supported.
- Active labour market policies also help to support social systems. Ensuring that the full potential of the labour market is exploited helps to safeguard the sustainability

benefits. This will not allow member states to sufficiently address the issue of poverty, as it deters attention from one of the main factors of poverty: not being in work. The key to address poverty and unemployment traps is rather through reform of tax and benefit systems.

Conclusion

In addition to the question of the efficiency of setting this specific target at EU level, poverty is a multidimensional concept which cannot adequately be captured by a target based on the indicator mentioned above.

Rather, the introduction of an economic growth target coupled with an employment rate target is the best way to achieve real and measurable progress towards reducing poverty in Europe.