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Graham Room*

Poverty in the European Community: Trends and Debates

Economic insecurity and poverty represent a growing problem in the European Community today, with the re-emergence of absolute poverty on a scale unknown since the 1940's. Are we creating a new "underclass" in the midst of our still prosperous societies?

In the countries of the European Community, poverty has returned to the political agenda. For some countries – Germany, for example – the 1980's have seen the first extensive acknowledgement of poverty since the immediate post-war years. In others – for example, the United Kingdom – it is the scale of poverty that is new. What is common to these various societies is a fear that the loss of full employment will deny to major sections of the population the opportunity to secure their livelihood through work; and, at the same time, a concern at the consequences for the social fabric of large numbers of people becoming dependent upon public relief.

Political debate – in a number of the Continental countries in particular – has been making increasing reference to the "new poor". The new poor are said to be characterised by their unexpected fall from the protection of the social security systems of which the Europeans are so proud; by the suddenness of their descent from comfort and security into poverty; and by their inability to cope with their misfortune, as witness their debts and their lack of skill in "using" the systems of public relief (which the "traditional poor" are supposedly good at exploiting).

These concerns are by no means new, however. One hundred and fifty years ago, the French political philosopher de Tocqueville surveyed the new forms of poverty which were emerging in the Europe of his time.¹ Writing in 1835, he compared the most advanced society of his time, England, with countries such as Portugal and Spain and he made a remarkable observation. Put simply, de Tocqueville asserted that it is only in rich countries that you find poor people.

Expressed more elaborately, de Tocqueville was making two points which go to the heart of the current debates.

De Tocqueville pointed out, first of all, that sudden changes in the international economy and in the demand for industrial products can, without warning, deprive large numbers of workers and their families of their means of livelihood. Indeed, as the pace of economic development accelerates, so also will the vulnerability of these workers increase. This vulnerability, which de Tocqueville cited as a principle cause of poverty in the first industrial revolution, has increased markedly during the equally dramatic transformations which are taking place in the industrial structures of today. There has during the last fifteen years been a sharp increase in the proportion of the poor who are unemployed: in the United Kingdom, for example, the proportion of low income families where the head was unemployed rose from 7.1% in 1979 to 19.7% in 1983 (where "low incomes" are defined as incomes below the supplementary benefit – i. e. social assistance – level). In Belgium, the proportion of the unemployed among the 20% of households with the lowest incomes doubled between 1976 and 1985. At the same time, there is evidence of the increasing significance of low paid jobs among the population of the poor. Moreover, although the risk of poverty among the elderly has declined in most countries, principally as a result of improved pension schemes, these schemes in general remain centred upon the past contribution records of the elderly; the long-term unemployed of today will, when they retire, lack the full contribution records of today's elderly; the elderly are then likely to return to the forefront among the population of the poor.

De Tocqueville considered that the inhabitants of the less industrialised countries, such as Spain and

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¹ A. de Tocqueville: *Memoir on Pauperism 1835*, reprinted in English, in: *The Public Interest*, 1983, pp. 102-120.

Portugal, were much less vulnerable to this insecurity. As a result, he asserted, "the countries appearing to be most impoverished are those which in reality account for the fewest indigents". However, there is little evidence that the southern countries are today as protected from the impoverishing effects of economic and industrial change as de Tocqueville appeared to think. The patterns of poverty and inequality within the less advanced countries of southern Europe are closely dependent on the economic progress of their richer neighbours; and the completion of the internal market within the Community in 1992 will only emphasise this interrelationship.

Pressure on Social Assistance

Secondly, de Tocqueville was struck by the fact that, in England at least, this distress was being dealt with by the extensive use of public charity. He gave two warnings: first, public charity on this scale would become an intolerable burden on those at work; and secondly, it would destroy the incentive to work on the part of the growing body of paupers, creating what would nowadays be called a culture of "welfare dependency". If de Tocqueville were alive today, he would find some of his worst fears confirmed. In the northern countries increasing numbers of the population have used up their entitlement to insurance benefits and are resorting to social assistance: since the early 1970's the population of social assistance recipients has more than doubled in countries such as Belgium, Germany and the Netherlands. These benefits, the more they multiply, can produce marginal tax rates where there is little financial incentive to take a job. Recipients are, in other words, imprisoned in a poverty trap of welfare dependency. Systems of social assistance are being made to bear a burden which is unprecedented during the post-war period; and in many countries this burden falls, in particular, on the local municipalities. In face of this increasing pressure on public charity some governments are imposing more restrictive conditions on eligibility; but whether this resolves or merely transforms the problem is debatable.

This reference to de Tocqueville reminds us that it is *not new* for successive transformation of the economy to jettison fresh groups of the population to join the ranks of the poor. However, as far as the post-war period is concerned, what *is new* about the 1980's is the widening of the range of the population which is subject to this economic insecurity. Added to this are insecurities which result from the transformation of the family: transformations, that is, in the system of *reproduction*; in particular, the growing numbers of single parent families and their vulnerability to poverty. Our social security systems seem to be incapable of coping with these two sources of insecurity in the systems of production and reproduction; and we are forced to confront de Tocqueville's question: how to provide support to a growing population of poor.

We should, incidentally, recognise that these changes are not peculiar to our own continent. In the United States of America, similar changes are evident in the poverty population. The elderly form a declining proportion of the latter, while unemployment and insecure employment are of increasing significance as causes of poverty. The number of single parent families in poverty has also been increasing: they grew from 25 % of the poor population in 1967 to more than 43 % in 1985.² A majority of poor households which contain children are now headed by women.³ To some considerable extent therefore we are here discussing a problem of the First World, not just a problem of the European Community.

Relative vs. Absolute Poverty

But perhaps these modern forms of poverty are not so serious after all. It is sometimes assumed that, at least in the northern countries, poverty takes a rather mild and subjective form. After all, much of the conceptual debate in those countries has been concerned with *relative*

² P. Ruggles and W. P. Marton: *Measuring the Size of the Underclass: How Much do we Know?*, Urban Institute, Washington D.C., 1986, p. 13.

³ I. Sawhill: *Poverty in the US: What have We Learned?*, (Draft), Urban Institute, Washington D.C., 1986, p. 23.

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poverty: goods and services which only a short time ago were defined as luxuries are now defined as necessities. It is therefore important to recognise that there is a harsher face to the poverty which has been developing in the 1980's. In many of our cities the number of homeless is increasing rapidly; and in countries such as the United Kingdom, considerable concern has been expressed at the dietary standards of the poor and unemployed and their children. It looks as though, in the north as well as in the south, these forms of "absolute" poverty may be re-emerging to a more significant extent than at any time since the 1940's.

Of course, it can be argued that these problems of the "new poverty" are only short-term. For example, at least in the northern countries, the numbers of young people who are coming on to the labour market each year are falling rapidly, for normal demographic reasons. Other things being equal, we can expect this to exert a downward pressure on the unemployment statistics and to moderate the poverty statistics. There are, moreover, those who will argue that the impetus to economic expansion within the European Community which the common internal market will provide will be enough to draw back into the labour market all but a hard core of the unemployed. Anti-poverty policies can then concentrate their attention on the non-able-bodied and those such as single parents, whose family responsibilities are such that they need continuing financial support from public funds. The new poor are the price that must be paid for the process of adjustment, but when this adjustment is complete, they will be reabsorbed into the new forms of production and prosperity.

A New "Underclass"

However, we should recognise that there is also a more pessimistic prognosis and one which in many ways relies less on future hopes and more on current realities. It seems clear that certain major changes are taking place in the economies of the First World: in particular, a growing bifurcation in the occupational structure, between highly skilled and well-paid jobs and the low skilled, low-paid and precarious. Those who lose their jobs may now be condemned to descend through a process of declassification into the unskilled sector at best, or very often into recurrent unemployment; and those who are seeking entry into the labour market for the first time may find it increasingly difficult to obtain secure employment.

Still worse, we may be creating a new "underclass" within our still prosperous societies: a stratum of people whose energies lie unused, who represent a long-term

burden on the public purse and who feel that they have no real stake in our societies. There are already areas in our cities with an unemployment rate of 70% or more, where the majority of the residents, including the young people, can expect little, in present circumstances, except long-term dependence on welfare benefits. Many of these areas also include disproportionately high numbers of single parent families. We do not have sufficient information to say whether, in addition, any sub-cultural changes are developing within this underclass, which could reinforce their exclusion, but certainly fears have been growing for the social fabric and social order of such urban areas.

If this dual society is developing, it may take a particularly serious form for the southern countries. Here, the families and the church served traditionally as a system of "social security"; but rapid programmes of modernisation and urbanisation mean that growing numbers of the population are losing the security of these traditional supports and find themselves particularly vulnerable to poverty. It is here, therefore, in some of the new cities of the South, that we may find the most desperate conditions. However, it is also clear that for these countries in particular, there is at the moment a serious lack of systematic research studies which can illuminate these situations.

Costs of the "New Poverty"

There are some signs of change. The slogan of "new poverty", like all political slogans, summarises in an imprecise manner the practical preoccupations of a number of different political actors, who are being forced to confront with the costs of the new poverty. In many countries local government is bearing the growing costs of social assistance and has a specific interest in drawing attention to the "new" poverty. The trade unions are concerned with the threat of unemployment to their members' jobs, wages and pensions; but they find it difficult to decide how far they should campaign on behalf of the unemployed and the poor more generally, or only their own members. The churches have been expressing their concern about the increase in poverty and the polarisation of society and, alongside this, concern about the growing numbers of single parent families (including, but not only, their vulnerability to poverty).

Nevertheless, there are also more negative trends: and some signs of hostility among the majority population towards weaker groups in society. This is true, most obviously, where there are additional divisions of ethnicity and race. The recent electoral

success of Monsieur Le Pen in France shows how readily ethnic hostilities can develop, when economic difficulties take away from the majority population its sense of security.

These developments pose challenges for our training, education and welfare systems; and the relative success of the Swedes in dealing with poverty during the period of economic restructuring demonstrates the merits of a more active labour market policy.⁴ Questions are also raised about our systems of income maintenance: one of the issues which, as mentioned earlier, was central to de Tocqueville's concerns. It seems that the income support schemes of the post-war period, which are centred primarily upon individuals' employment records, are no longer adequate. However, there seems to be little consensus as to how the new poor can best be assured a basic minimum income.

Perspectives

In the light of all this, how useful is the term "new poverty"? It may be useful in mobilising social and political concern about a problem too often relegated to the margins of political debate. However, there are also dangers. The first is that by using the term "new poverty" too indiscriminately, we risk ignoring important differences among the new groups of the poor: for example, industrial workers who have been jettisoned from traditional industries and refugees returning to Portugal from its former colonies. Secondly, there is the danger that in speaking of new poverty and the new poor, we legitimate continuing neglect of those groups which are traditionally poor or we regard them as the "undeserving poor". A third danger is that, as in any discussion of poverty, we risk losing touch with broader processes and problems of social and economic development, concentrating instead only on the visible manifestations of these processes. Finally, it seems to me that in the richer countries the term "new poverty" has a certain ideological function: namely, to pretend that during the period of economic growth poverty had indeed been abolished and that it is only in recent years that significant problems of deprivation have developed.

Confronted by the term "new poverty", researchers find themselves in an ambiguous position. However, this is not unusual. What social researchers must do, starting from the slogans that are in political currency, is to expose the practical interests which these slogans

express and the mystifications which they involve; and, then, to illuminate the practical interventions that may be available. The study of these developments is, however, hindered by the inadequacies and limitations in the official statistics. It is therefore encouraging to see the efforts of the European Commission to promote more harmonised systems. A first step was taken in 1981, when the Commission published estimates of the numbers of poor people in the nine Community countries in the mid-1970's. For this purpose, the Commission used a set of poverty lines defined as 50 % of average disposable income in each of the countries concerned. This exercise was replicated recently and produced a figure of 44 million poor people in the Community of twelve countries. Both of these exercises were technically respectable and politically courageous; and it is to be hoped that the Commission will continue, at regular intervals, to provide further estimates of this sort. Nevertheless, instead of a single poverty line, we probably need a variety of different indicators, both relative and absolute, if we are to monitor effectively the changing incidence of poverty in the Community countries.

Research and data collection at the level of the Community as a whole are not, however, enough. The Community offers the opportunity, at the practical level, to exploit the diversity of the experience of its twelve member countries, in order to devise more effective responses to poverty. This exploitation is, indeed, already under way. The Commission is responsible for a programme of action-research projects in the anti-poverty field: a programme which involves ninety projects, located in the twelve countries of the Community, working together in order to identify improved methods of combatting poverty and alleviating its effects. The Commission has just presented an interim report on this programme to the Council of Ministers and the European Parliament. This sort of low-cost programme can, perhaps, promote the transfer of "technologies" in the anti-poverty field and can develop prototypes of new forms of intervention.

There is, of course, always the danger that this process of learning will be in one direction only: from the northern countries to those of the south. For reasons which can easily be understood, the southern countries are concerned to modernise their social systems and to adopt methods of intervention already developed in the north. However, it is important that in the anti-poverty field, as in other areas of policy, the southern countries should define their own indigenous models of development, not least so that they can offer new alternatives to the "old" societies of the north.

⁴ Cf. R. Lawson: *Income Support during Unemployment: Comparisons in Western Europe, 1945-1985*, in: *European Institute of Social Security Yearbook 1985, Balanced Development of Long-Term Benefits*, Kluwer, Dordrecht 1986.