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President of the European Commission

## **Speech "Combating Poverty and Social Exclusion: The European Commission's Approach"**

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**5 December 2012**

Mr President of the European Council,  
Vice-President of the European Parliament,  
My dear László,

Distinguished guests,

Dear friends,

First of all, let me also express a word of condolences for this tragic news we have just received.

I would like also to thank my dear colleague László Andor for having organised this annual convention of the European Platform against Poverty and Social Exclusion. I also thank the Cyprus Presidency for its very important contribution.

This issue of poverty and social exclusion is one of the key challenges we are facing today in Europe.

The financial crisis has become a crisis of confidence with a profound impact on our economies, our societies, our people. Across Europe, for the first time in half a century, many of our citizens look to the future not with the expectation of a better life but with uncertainty and even fear. For all too many in Europe this fear and uncertainty is already a part of their daily lives. Over 1 in 5 Europeans live under the threat of poverty, including more than 25 million children.

In Europe we have today 26 million unemployed and the figure is rising especially among the young: in some Member States youth unemployment is over 50%. And once unemployed it is ever harder to find a job, some 11 million of those unemployed have been out of work for over a year.

In some parts of Europe, as I've been saying loud and clear, there is a real social emergency.

We will not allow there to be a lost generation in Europe. We will not allow our inclusive and cohesive social model crumble. We cannot and we are not standing idly-by.

The root cause of the current situation is economic and we will not be able to face the social challenge unless we also overcome the economic challenge. We must get the fundamentals right and work towards growth, growth that should be sustainable and inclusive, that is necessary for the development of our social model.

Indeed, the current crisis has been the result of different elements: unsustainable levels of debt, public debt but also private and corporate debt and the decline in European competitiveness over the last decade or even longer

Breaking out of this cycle requires very difficult policies. It requires the correction of public finances, it requires reforms for Europe to regain competitiveness and it also requires investment, targeted investment to promote growth and create jobs. But, the measures to keep budgets under control should be in line with social objectives and equity in longer term, and to sustain future social security systems.

The Commission pays particular importance to the social aspects of the implementation of on-going reforms across Member States.

Because clearly there are limits in terms of the social and political acceptability of some of the efforts that are being made across Europe.

It is important to remember that we are not living in a theoretical model, that the economics of the real world means sound rational economic decision that takes into account the social and political conditions necessary for the reforms to be implemented.

As we well know, in some of our Member States, there are real challenges in winning wider acceptance for the reform programmes that are needed. At the same time the finger of blame is pointed very often at Brussels and at decisions taken at the European level. And we know that.

But in fact at the European level the European institutions are doing all we can with the instruments available to us to follow a comprehensive, joined-up approach to dealing with the current challenges.

First of all let me be very clear on one point, there are those who claim that the current reform process in Europe has led to the death of the European Social model. Some even say that the European Social model is dead. I do not agree.

For reforms to be acceptable and to deliver inclusive growth our social model must form an integral part of our economic recovery.

As I stated in my State of the Union address in the European Parliament last September, yes, we need to reform our economies and modernise our social protection systems.

But, as I also said, an effective social protection system that helps those in need is not an obstacle to prosperity. It is indeed an indispensable element of prosperity.

Indeed, it is precisely those European countries with the most effective social protection systems and with the most developed social partnerships, that are among the most successful and competitive economies not only in Europe but in the world.

And the Commission is working along these lines. In my report to the European Council of 18-19 October, I set out the status of the implementation of the Compact for Growth and Jobs.

The success of the Compact is essential to restoring growth and competitiveness, and will require a strong partnership between the European Institutions, the Member States and stakeholders, namely the social partners.

Last week the Commission adopted its Annual Growth Survey (AGS). It is an important element in ensuring that we can pursue a strategy of fiscal consolidation while at the same time we promote growth. And that we commit to the different five priorities we have set before, that are converging for a central objective of growth and jobs.

Tackling unemployment and the social consequences of the crisis is a prominent priority of this Annual Growth Survey, as it emphasises the need to protect the most vulnerable. The Annual Growth Survey outlines the measures to prepare for a job-rich recovery, to improve employability levels and to promote social inclusion.

This is the only way to restore confidence and create lasting growth. I understand that these reforms are difficult, sometimes painful and with short term difficult consequences, which is why the Commission is doing its best to make the recovery as job-rich as possible.

For these reasons there was a specific focus in our survey on measures to promote employment and the policy guidance it gives to the Member States is intended to ensure that the burden of reform is shared fairly among society and that the most vulnerable are protected.

On the 28 November we have also presented the Blueprint for a deep and genuine Economic and Monetary Union (EMU). And the idea is of course to contribute, to have a strong architecture in our EMU because we believe that without a convincing response in this area there will be no confidence. And without confidence there is no investment, without investment there is no growth and no jobs.

Ladies and gentlemen,

I've said, and I can repeat here today in front of you, that for an agenda of structural reform, to work, it needs to be fair and equitable. Because inequality is not sustainable and that is why we must also strengthen social cohesion.

It is, of course, a consequence of the principles of social justice, but it is also a condition for the success of a policy. This is also a feature that distinguishes European society from alternative models.

Fairness and equity means giving a chance to those in our society who are most often at the margins, very often women, the young, the elderly, minorities and those who have an handicap. Creating an economic and legal environment which facilitates job creation is important but there is also a need for specific targeted instruments.

And we are, as the Commission, using all the instruments at our disposal to fight social exclusion.

However, as you well know most of these instruments are at the national level not at the Community level. And as you probably know, there is sometimes a political debate: who has the responsibility? Should it be at the European level? Should it be at the national level? I believe that we all have a responsibility. At the national level, sometimes also at the regional and local level, but the European Union as such also has to have the instruments to address what is perceived by the European citizens as a major concern.

Because we are concerned with the very high level of unemployment, and unemployment of young people in particular. The Employment Package adopted in April aims to support national employment policies and certain key measures to support job creation.

Just today the Commission has adopted a Youth Employment Package, presented by László Andor, which I believe will be crucial to help Member States in tackling the youth unemployment, by establishing youth guarantees and also a quality framework for traineeships.

We want to ensure that all the young people receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving the formal education.

Of course we know very well that we cannot create jobs by decree. But we know it is possible, with some targeted funding, and with cooperation between the European level and the national governments, for instance, if jobs are not available, to have apprenticeships or traineeships. I believe it is much better, during these difficult times, to have young people occupied with more training than to have them, very often, desperate, without knowing what they can do with their lives.

The Commission will also soon present proposals for a Social Investment Package, which we are working on with László and inside the Commission. The aim is to provide guidance to improve Member States' social policies. Your Platform' views and discussions during this second annual convention will be much appreciated. And in fact we are also looking at this conference as a way of receiving your input for the documents and policies that we are preparing. Because I know that here, at this conference, there are many stakeholders with a real knowledge of the situation on the ground, on the streets; the reality of the situation in our Europe.

Indeed poverty reduction was accepted as one of the European Union headline targets in the Europe 2020 strategy. I can tell you very frankly that it was not easy. In the discussion among ourselves and with the 27 Member States there were some that were arguing, once again, that this is not for the European level: Fighting poverty should not be the concern of Europe. This is for the national level was their message. However, in the end we got it, and so now it's recognised as one objective of the European Union strategy, the EU 2020 as we call it, alongside other important targets, such as the fight poverty and social exclusion. And the Commission has proposed to reduce by at least 20 million the number of people in or at risk of poverty and social exclusion. But this goal, decided at the European level, by consensus in our Member States, has now to be translated into national targets and trajectories and policies.

To catalyse progress the Commission put forward a flagship initiative under this priority theme. That is why your Platform is a key element in delivering on these objectives.

Beyond this I continue to make the case at the European level for more instruments. In the current MFF negotiations on the budget, -the budget for the next seven years - the Commission is seeking to support spending that will help us achieve our objective of sustainable, inclusive growth and job creation: for instance, investment in some areas that can bring great value to Europe, for instance research and innovation or financing pan-European networks of transport and energy with the Connecting Europe Facility and at the same time we are trying to keep an ambitious level of European commitment for funding in terms of cohesion and social inclusion.

Just to give two examples, to some extent, worrying examples, I'll tell you why it's worrying: the Globalisation Adjustment Fund, that was created by my first Commission, to help people that are facing unemployment because of major restructuring, currently this Globalisation Adjustment Fund makes available 500 million Euro a year. We are proposing to keep it in the next financial perspectives, in the next budget. Unfortunately, and this is my concern, some sceptics are not enthusiastic about that. I hope that in the final conclusions you'll have a vital fund like this one. Because we need it more than ever. Another fund that we are trying to get approved by all the Member States is the Fund for European Aid to the Most Deprived for which we have proposed a total of 2.5 billion euros between 2014 and 2020. As you know this is a fund that traditionally has enabled us to distribute food, for instance to food banks, to the poor of Europe, to people that are really needy. And today what we have in Europe is even more poor people and new kinds of poor people, and so I think it will be completely unfair, to say the least, at this time, if we reduce our commitments in that area. Once again it is a matter that is being discussed by the governments of Europe.

One thing that is important to note, we are trying to keep these instruments, we are trying for instance to make it clear that the investment at the European level should at least be, an important part of it, through the social fund. This is still a work in progress.

And I'm also more generally concerned, and I think we should all be concerned, that at the moment Europe most needs investment, at the moment Europe has to fight social exclusion, it is at this precise moment some argue we must reduce a budget that is essentially an investment for growth and for social inclusion at the European level.

Ladies and gentlemen,

We are all here today at this event because we recognise the scale of the challenge that Europe faces and we share a determination to deal resolutely with that challenge.

This annual convention of the European Platform against Poverty and Social Exclusion is unique in its kind bringing together all actors in the fight against poverty and social exclusion. The convention is thus the expression of the fact that poverty and exclusion can only be addressed in a very close partnership between all those involved and concerned.

Because I also believe that only an inclusive and participatory approach will help us in defining the right policies for now and the future.

Social inclusion indeed is not a niche policy, not just a specific policy; it has to be at the heart of all the European Union's policies, especially in times like the ones we are now living.

The range of issues which will be covered in our work over the next two days shows that here at least, this is clearly understood.

But more than anything, we need to be aware that the necessary reforms which we need to undertake will only succeed if the programmes are socially acceptable.

Yes, if Europe is to achieve sustainable inclusive growth, smart investment and policies which foster social justice are indispensable.

With the instruments we have available at the European level we are already working hard in this direction. I am certain that this conference will help guide our current work and also help generate the political support we need to ensure that Europe has the instruments that it needs in the future to ensure that growth is not just sustainable but is truly inclusive, to show that indeed the social market economy, our European social model is not dead.

I thank you for your attention.