

Advancing inclusive growth in cities for people at risk of poverty or social exclusion



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Poverty and social exclusion in cities remain major challenges for policymakers across the EU and OECD. While cities provide access to jobs, services and innovation, they can also concentrate poverty and social exclusion risks. Disadvantages can accumulate both spatially, within specific neighbourhoods, and over the life course, reinforcing inequalities, limiting access to opportunities, and weakening long-term economic growth. Across the EU, housing affordability pressures, labour market insecurity and unequal access to essential services are among the key drivers placing 37 million people at risk of poverty or social exclusion. This policy paper provides practical guidance for local, regional and national governments to reduce poverty and social exclusion in cities through integrated, preventative and people-centred approaches that support inclusive growth. Drawing on evidence from across OECD and EU cities, it identifies action across five policy areas: education, labour markets, housing and the built environment, public services and infrastructure, and fair climate action. The paper emphasises the importance of early intervention, co-ordinated service delivery and place-based approaches, while highlighting key enabling conditions needed for effective implementation, including multi-level governance, inclusive policy design, robust data systems, sustainable financing, institutional capacity, monitoring and evaluation and strong political leadership.

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Foreword

This policy paper is one of three policy papers that are part of the broader OECD/EC What Works for Inclusive Growth in Cities project. The other two policy papers focus on people with a migrant background and youth. Drawing on a two-phase survey of cities (2024-2025), selected good practices from respondent cities and dedicated policy workshops, these policy papers reflect both evidence on effective policy approaches and practical insights from implementation. These inputs underpin the policy papers findings and recommendations, ensuring that they combine “what works” with actionable guidance on how to deliver inclusive growth in practice. The insights gathered from across the project have also been synthesised in a practical Roadmap for Inclusive Growth in Cities, which provides a guide for taking action on Inclusive Growth at the local scale. This analysis primarily focuses on cities in the EU, complemented by selected examples from other OECD cities, in particular those participating in the OECD Champion Mayors for Inclusive Growth Initiative, as well as additional cases of good practices with clear relevance for EU cities

The policy paper on advancing inclusive growth in cities for people at risk of poverty or social exclusion (AROE) builds on a substantial body of OECD and European Union work on AROPE and inclusive growth in cities. It draws on a range of recent reports, policy frameworks and analytical tools that have shaped the current policy agenda, including initiatives such as the EU Urban Agenda for Cities (2025), the EU Anti Racism Strategy 2026-2030 and the Affordable Housing Action Plan. The evidence base is further informed by analytical work on inclusion and discrimination such as Being Black in the European Union (2023), Being Muslim in the European Union (2024) and the Rights of Roma and Travellers in 13 European Countries. In addition, the analysis is informed by OECD work on inclusive growth and inequality including the joint OECD-European Commission report on Monitoring and Assessing the Impact of National Action Plans against Racism (2025), Reducing Inequalities by Investing in Early Childhood Education and Care (2025), Equity and Inclusion in Education: Finding Strength through Diversity (2023), Building Inclusive Labour Markets: Active Labour Market Policies for the Most Vulnerable Groups (2021) and Confronting the Cost-of-Living and Housing Crisis in Cities (2023). Together, these contributions provide a robust evidence base and policy foundation for the policy paper, situating it within a broader international effort to support young people’s inclusion, resilience and long-term prospects in urban areas.

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This paper was drafted and co-ordinated by Elizabeth Doherty, Economist and Policy Analyst (CFE/CITY), under the supervision of Camille Viros, Head of the Inclusive Growth in Cities Unit (CFE/CITY), and guidance of Aziza Akhmouch, Head of the Cities, Urban Policies and Sustainable Development (CITY) division, and Soo-Jin Kim, Deputy Head of the CITY division. The paper also benefitted from valuable inputs and comments by Ewa Bialogłowska and Thomas Kergonou Jimenez (both CFE), as well as from Ali Bargu, Sara Coloni and Marissa Plouin (all ELS).

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Executive summary

Tackling poverty and social exclusion in cities requires a shift in approaches which tackle root causes and are integrated, people-centred and place-based. Poverty in urban areas is rarely driven by a single factor: it reflects multiple, overlapping disadvantages across income, employment, housing, access to services and environmental conditions, which accumulate over time and can concentrate spatially in disadvantaged neighbourhoods. More effective responses therefore depend on integrating approaches across policy sectors through strong co-ordination mechanisms across levels of government and institutions. Early and preventative interventions are particularly critical, as disadvantages that emerge in childhood and key life transitions can persist and deepen over time. At the same time, proactive outreach and tailored support are essential, especially for individuals disengaged with mainstream services.

While cities provide opportunities, they also concentrate poverty risks and structural inequalities. In the European Union, 21.3% of city residents (37 million people) are at risk of poverty or social exclusion (AROPE). Inequalities begin early in life, with children from low-income or marginalised households more likely to experience lower-quality early education and care, higher rates of early school leaving, and fewer opportunities for skills development which can translate into weaker labour market outcomes. Employment is a key determinant of being AROPE yet work alone is not sufficient to prevent poverty: nearly one in ten workers in the EU experience in-work poverty, reflecting low wages, part-time or unstable contracts, and limited access to progression. Housing affordability is a major driver of material deprivation in cities with high rents, insecure tenures and energy poverty placing significant pressures on low-income households. At the same time, unequal access to public services and infrastructure, including transport, healthcare, childcare, digital connectivity, and social services limit participation in education and employment, particularly in disadvantaged neighbourhoods. Climate and energy-related pressures increasingly intersect with poverty risks as low-income households in cities are often more exposed to pollution, more likely to live in energy-inefficient housing and less able to absorb rising energy prices or make efficiency upgrades.

Governments can implement policies to reduce AROPE in cities across five core policy pillars. In education, early childhood, education and care (ECEC) targeted support to reduce segregation and dropout, and lifelong learning opportunities can help break intergenerational cycles of disadvantage. Policies that promote access to quality jobs, strengthen activation and skills development and address barriers faced by vulnerable groups can support both employment and income outcomes. Expanding affordable housing supply, improving housing quality and stability, alongside targeted support to reduce material deprivation and homelessness, can promote inclusion and access to opportunities. Public services and infrastructure can be enhanced with integrated service delivery models which improve access to childcare, healthcare, transport and digital services. Finally, climate policies that incorporate social safeguards, like targeted subsidies or inclusive urban planning, can help reduce burdens on vulnerable population groups.

While policies exist to advance inclusive growth for people at risk of poverty and social exclusion in cities, governments' ability to implement them depends on a set of enabling institutional and operational conditions which shape how action is organised, financed and sustained over time. Across cities, concentrated disadvantage and weak access to quality services can erode trust, reduce civic participation and undermine social cohesion, making these enabling conditions particularly critical.

1 Challenges, needs and opportunities for people AROPE in cities

Framing the issue

People at risk of poverty or social exclusion (AROPE) form a heterogeneous group facing overlapping disadvantages related to low incomes, material deprivation or weak labour market attachment. The AROPE indicator provides a multidimensional perspective on vulnerability combining relative income poverty (AROP) with more absolute measures of material deprivation and labour market exclusion (Eurostat, 2025^[1]). In cities, these barriers for people AROPE are intensified by high housing costs, residential segregation, limited affordable and quality transport and discrimination, including structural racism which can be a significant factor contributing to inequalities. For example, in the EU, Roma/ Traveller people have life expectancies up to 8 years shorter than the general population; half of people of African descent are overqualified for their jobs; and Muslim households are three times as likely to experience severe material deprivation (European Commission, 2026^[2]). At the same time, cities concentrate opportunities for social mobility, creating contrasts between prosperity and exclusion. Uneven distribution of productivity gains, fragmented governance and spatial disparities in service provision can reinforce inequalities. Addressing poverty and social exclusion in cities requires an integrated approach that tackles both individual barriers (including skills, childcare and access to quality employment) and place-based constraints (like transport connectivity, affordable housing and neighbourhood deprivation).

Defining poverty and social exclusion

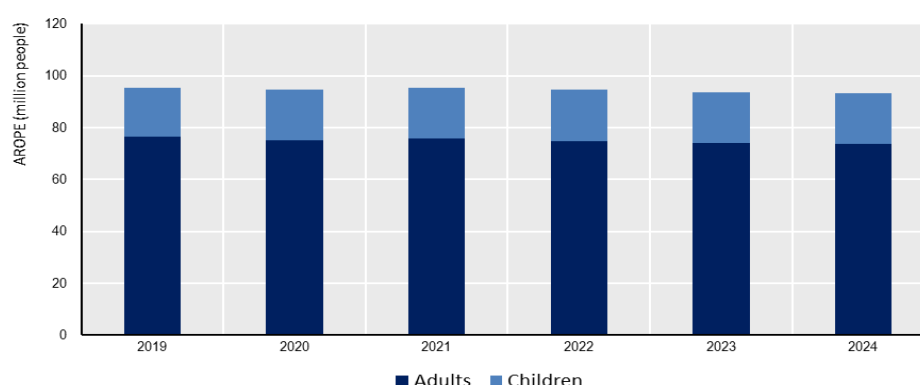
Poverty and social exclusion are related but distinct concepts describing different dimensions of disadvantage. Poverty refers primarily to a lack of economic resources, and, in OECD countries, is typically measured in relative terms – capturing whether an individual's income falls below a threshold linked to the national median and thus reflecting both living standards and income inequality (Raitano et al., 2021^[3]) (Eurostat, 2025^[1]). Social exclusion, by contrast, refers to processes that limit participation in economic, social and civic life. In cities, exclusion is often shaped by spatial factors like segregation, poor transport connectivity and unequal access to services, as well as discrimination and institutional barriers (Schinnerl and Greiling, 2019^[4]). Distinguishing these concepts has practical implications for policy. Anti-poverty measures tend to focus on income support or in-kind benefits, while tackling social exclusion requires addressing institutional or spatial barriers such as improving service accessibility, strengthening rights and enhancing connectivity. Addressing income poverty alone without targeting structural exclusion is therefore likely to result in more limited and short-lived improvements.

The EU's headline metric of "At Risk of Poverty or Social Exclusion" (AROPE) combines poverty, severe material and social deprivation, and very low work intensity (Box A A.1). While income indicators capture household resources, they overlook aspects of well-being like access to essential goods and services. Multidimensional measures like AROPE therefore offers a more accurate picture of vulnerability – especially in cities where high living costs, housing pressures and spatial inequalities shape disadvantage. While a core EU objective, progress on reducing poverty remains uneven. By 2024, AROPE had fallen by 2.7 million relative to 2019 to 93.3 million people, however child poverty rose over the same period, bringing the total number of children AROPE to 19.5 million (Figure 1).

Children growing up in poverty face a higher risk of future poverty, reinforcing intergenerational disadvantage, with growing up in poverty linked to poorer physical and mental health, delayed development and lower educational attainment (Mølland et al., 2020^[5]). Reducing child poverty is a central priority of the EU's anti-poverty agenda and is supported by the European Child Guarantee, which aims to ensure access to essential services such as early childhood education and care, school meals, healthcare and adequate housing (Raitano et al., 2021^[3]). Child poverty rates vary considerably across and within countries.¹

Figure 1. Overall AROPE declined slightly but children AROPE increased over 2019-2024

Number of persons at risk of poverty or social exclusion in the EU by age class, 2019-2024



Note: Children defined as persons less than 18 years old, adults defined as 18 years old and higher

Source: Eurostat (2025^[6]), *Persons at risk of poverty or social exclusion by age and sex (dataset)*, https://ec.europa.eu/eurostat/databrowser/view/ILC_PEPS01N/default/table.

Trends and drivers of poverty and social exclusion in cities

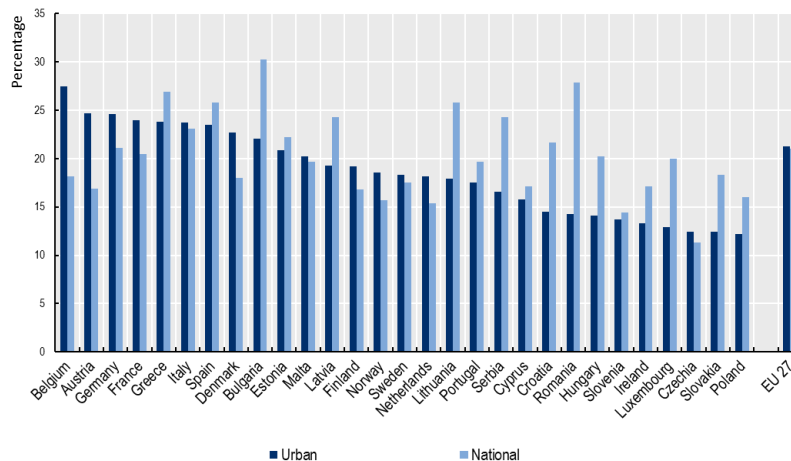
Cities² combine strong productivity with heightened risks of social exclusion. In 2024, around 40% of the EU's AROPE population lived in cities. In EU urban areas, more than one-fifth of the population (37.1 million people or 21.3%) are AROPE, this compares to 20.3% in towns and suburbs (32.4 million people), and 21.3% in rural areas (23.6 million people) (Eurostat, 2025^[11]). Urban AROPE rates vary widely across Member States, exceeding 24% in countries such as Belgium (28%), Austria (25%) and Germany (25%) while remaining below 13% in Poland (12%), Czechia (12%) and Slovak Republic (12%) (Figure 2) (Eurostat, 2025^[11]). These national averages can mask substantial inequalities that exist within cities themselves with city centres and surrounding commuting zones experiencing different levels of poverty: in 8 of 14 capital cities, incomes are higher in urban centres than in commuting zones (OECD, 2024^[7]).

These patterns vary significantly across city types. While large cities (Functional Urban Areas, FUAs, with over 1.5 million inhabitants) combine high incomes and productivity levels, they have seen more stalled progress in reducing AROPE over the past decade. By contrast small or intermediary cities (FUAs with

between 50 000 and 250 000 inhabitants) have achieved more consistent reductions in poverty over the same period, despite lower average income levels. Differences in economic profile also matter for poverty risks, with basic-service oriented cities, such as those specialised in the tourism industry, tending to exhibit higher poverty risks, which may in part reflect income volatility and seasonal employment (OECD, 2026^[8]).

Figure 2. In 12 out of 29 EU countries, urban poverty exceeds the national average

Percentage of people AROPE in the EU, urban and national averages, 2024



Source: Eurostat (2025^[9]), *At-risk-of-poverty rate by degree of urbanisation before and after deducting housing costs (dataset)*, https://ec.europa.eu/eurostat/databrowser/view/ilc_li43_custom_18499415/default/table.

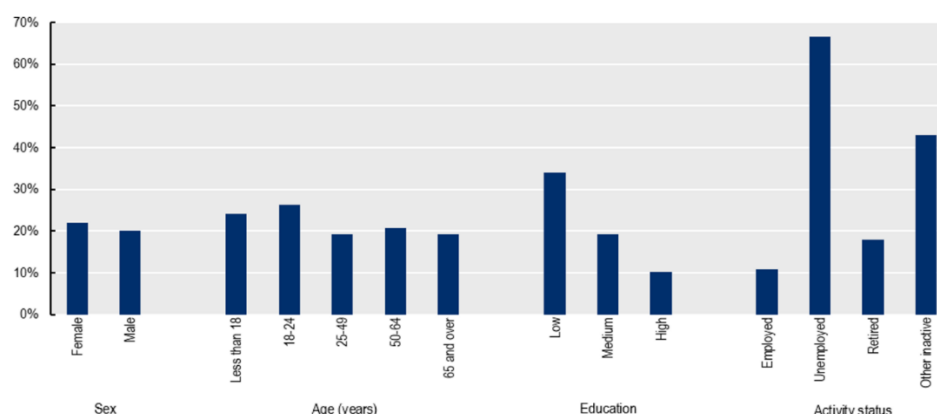
Human capital formation and life-course risks

Education strongly shapes an individual's exposure to poverty and social exclusion over the life course. Children from disadvantaged backgrounds face barriers including poorer school performance, early school leaving and limited extracurricular and parental support, reducing future labour market prospects (Carneiro, Cattán and Neves, 2025^[10]). Across the EU, 33.9% of adults with a low level of educational attainment were AROPE, compared to 10.2% of those with tertiary education (Figure 3). While cities host many high-quality education providers, including leading universities and higher education institutions, access remains more unequal. Disadvantaged students face lower rates of entry and completion, reflecting cumulative structural barriers (OECD, 2019^[11]). These disparities can be reinforced by differing demographic trajectories across cities – with cities experiencing population growth tending to attract more highly educated populations, with close to 40% of adults holding tertiary qualifications on average, while also retaining a substantial share of low-skilled residents, contributing to skill polarisation. In contrast shrinking cities can face a “talent development trap” whereby outmigration of educated residents reduces the local skills base and can reinforce long-term AROPE risks.

The transition from education to employment is a critical risk point. Young adults (18-24 years old) have the highest AROPE rates in the EU across age ranges (26.2%), with particularly high risks for early school leavers and NEETs (not in education, employment or training) (Eurostat, 2025^[1]). Early labour market setbacks can have persistent “scarring” effects on an individual's income and employment trajectories – to address this, evidence highlights the importance of targeted, place-based support which brings services closer to young people and build trust, to improve transitions into stable employment (Interreg, 2025^[12]).

Figure 3. Women, young adults, people with low levels of educational attainment and unemployed people were on average more likely to be AROPE in 2024

People AROPE, analysed by socioeconomic characteristics, EU, 2024 (%)



Note: Education and activity status relates to population aged 18 and over only.

Source: Eurostat (2025^[11]), "Poverty or Social Exclusion", https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_in_Europe_-_poverty_and_social_exclusion.

Labour market inclusion and income insecurity

Employment status is a key determinant of AROPE, but work is not always protective. In 2024, AROPE ranged from 10.9% among the employed to 66.6% among unemployed (Figure 3) (Eurostat, 2025^[13]). At the same time, job insecurity and in-work poverty are rising – a particular challenge in urban labour markets shaped by temporary, part-time, gig-based, low-hours or insecure work which limits access to social protection and stable incomes (Custers et al., 2023^[14]). In 2024, 8.2% of EU workers experienced in-work poverty, with increasing rates in several EU countries (Eurostat, 2025^[13]). Certain groups face compounded barriers to employment, including mothers with young children, people with health challenges, and recent migrants and refugees, due to caring responsibilities, discrimination or limited recognition of credentials (Schinnerl and Greiling, 2019^[4]). Cultural and linguistic barriers further inhibit access to quality jobs, especially for newer arrivals. Cities in Denmark (Aarhus and Copenhagen) and the Netherlands (Amsterdam, Rotterdam and Utrecht) emphasised that cultural and social integration challenges can interact with urban poverty, leading to cumulative disadvantage (Schinnerl and Greiling, 2019^[4]).

Housing affordability

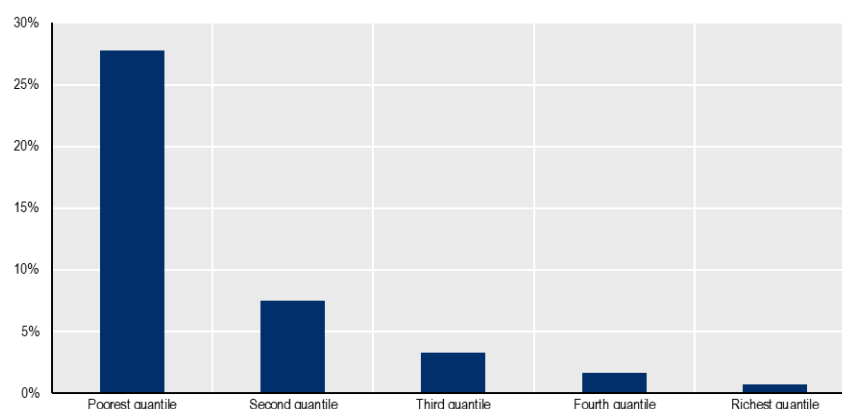
Rising housing costs in cities are a central driver of AROPE and homelessness risks. In 2024, 27.8% of people in the poorest income quintile in the EU faced housing cost overburden,³ while the rate was just 0.7% in the highest quintile. Evidence highlights that affordability pressures are most acute in cities, where housing demand concentrates, but also in specific contexts such as tourist regions and parts of Eastern Europe (EPSON, 2025^[15]). When housing costs are deducted from income, the risk of poverty in EU cities jumps from 16.1% to 30.1%, underscoring the extent to which high rents and mortgage repayments can deepen poverty in urban areas (Eurostat, 2025^[9]). While pre-housing cost poverty has declined slightly (3 p.p.) over the past five years, post-housing cost poverty has risen (0.7 p.p.), underscoring the importance of accounting for housing when thinking about poverty (Cribb, Wernham and Xu, 2023^[16]).

Across the OECD, between 2013 and 2023, house prices have increased across cities, with the steepest rises in large cities (over 1.5 million inhabitants), where prices rose by nearly 68% in contrast with very small cities (50 000 to 100 000), where prices increased by 16% over the same period (OECD, 2024^[7]).

Rising housing cost pressures increase the risk that people experience homelessness, which, as a share of the population, has been rising in some EU countries including Ireland, Latvia, the Netherlands and Slovenia. Among EU countries with data available, only Finland has shown marked decreases in homelessness between 2010 and 2023 (OECD, 2024^[17]). Child homelessness is a pressing risk too. In Germany, nearly half of people experiencing sheltered homelessness belonged to a household with children. In England (the United Kingdom), between 2022 and 2023, roughly 35% of households who were owed a prevention or relief duty included a dependent child (OECD, 2024^[17]). Discrimination in the housing market contributes to minorities disproportionality facing homelessness (OECD, 2025^[18]).

Figure 4. Poorer households spend a greater share of income on housing than richer households

Housing cost overburden rate by income quintile 2024 – EU27



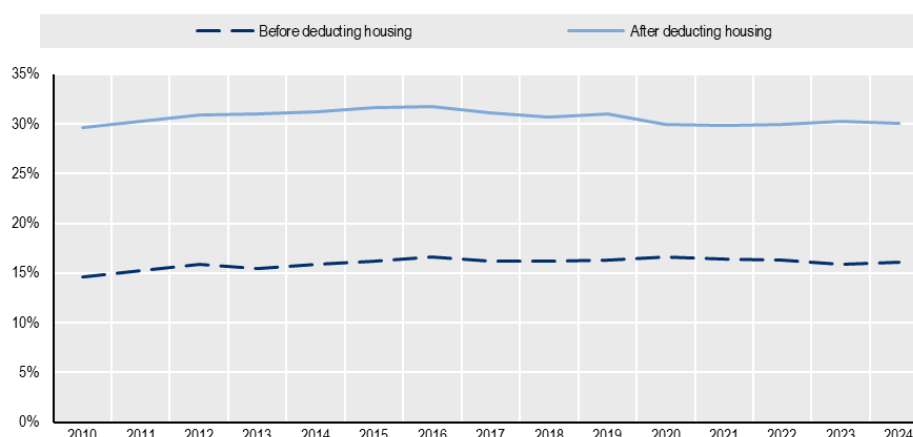
Note: Housing cost overburden is the percentage of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances) presented by income quintile.

Source: Eurostat (2025^[19]), *Housing cost overburden rate by income quintile – EU-SILC survey*, https://ec.europa.eu/eurostat/databrowser/view/tessi162_custom_18498516/default/table.

Beyond cost pressures, housing conditions in cities for people AROPE shape outcomes ranging from health to education. For example, poor housing conditions, such as overcrowding, damp and inadequate space, are associated with worse physical and mental health outcomes and lower subjective well-being. Across OECD countries, overcrowding affects more than 10% of households on average and rises to about 16% among the lowest-income quintile, 30% of whom are children, indicating how housing quality and health risks concentrate among disadvantaged groups (OECD, 2023^[20]). These risks are particularly concentrated in cities, where housing supply constraints and higher densities exacerbate poor living conditions. In the EU in 2024, 20.3% of urban residents lived in overcrowded housing, compared with 14.9% in towns and suburbs and 14.3% in rural areas (Eurostat, 2025^[21]). Beyond health impacts, poor housing conditions can also undermine education outcomes. The OECD's PISA 2018 found that students with access to a room at home for doing homework scored 14 points higher in reading than peers without such access, and still 4 points higher after accounting for socio-economic status (OECD, 2020^[22]). Housing discrimination further reinforces exclusion. Evidence shows that racial and ethnic minorities face persistent barriers in accessing rental and ownership markets, with for example 31% of people of African descent in the EU reporting discrimination when seeking housing, contributing to lower homeownership, higher risks of homelessness and greater residential segregation (OECD, 2025^[18]).

Figure 5. The poverty risk in EU cities rises markedly after housing costs are deducted

At-risk-of-poverty rate in EU27 cities, before (dashed line) and after (solid line) deducting housing costs



Note: The AROPE after housing costs adjusts the standard at-risk-of-poverty indicator by deducting housing expenses from disposable income
Source: Eurostat (2025^[9]), *At-risk-of-poverty rate by degree of urbanisation before and after deducting housing costs (dataset)*, https://ec.europa.eu/eurostat/databrowser/view/ilc_li43_custom_18499415/default/table.

Spatial segregation, discrimination and unequal access to opportunities

Spatial segregation concentrates disadvantage within cities and limits access to opportunities. Larger and wealthier cities often exhibit higher levels of spatial segregation, concentrating higher incomes and wealth in specific neighbourhoods (Box A A.2) (OECD, 2018^[23]). Many countries are seeing rising spatial segregation. In France for instance, spatial disparities increased in more than 30 of the 53 largest cities between 2004 and 2019 (Burgalassi and Matsumoto, 2024^[24]), while in Italy, high levels of income segregation are observed both within cities and between urban centres and suburbs. For instance, in Rome, some of the poorest neighbourhoods are located in the peripheries, facing gaps in access to employment, education and cultural amenities (Burgalassi and Matsumoto, 2024^[24]).

Segregation interacts with transport and labour markets: residents of low-income neighbourhoods often face poorer connectivity with evidence from Paris (France) showing that access to opportunities for low- and middle-income groups can be up to three times lower than for high-income groups (ITF, 2019^[25]). These “neighbourhood effects” compound disadvantage and heighten risk of persistent poverty, particularly for children whose long-term outcomes in education, unemployment and incomes are shaped by them (Chetty and Hendren, 2018^[26]). Segregation can disproportionately affect minority groups. Roma communities, for example continue to face entrenched disadvantage across multiple dimensions: around 70% are at risk of poverty (four times the EU average) and 83% live in overcrowded housing. Discrimination remains a structural barrier to inclusion with around one-third of Roma reporting experiencing discrimination across key areas of life including housing, reinforcing patterns of segregation and unequal access to opportunities (FRA, 2024^[27])

Structural transitions and compounding risks

Deindustrialisation, automation and cyclical job losses create labour market shocks that erode job markets in cities. These do not only have short-term impacts on the income of workers affected but can also impact long-term opportunities in cities (Social Mobility Commission, 2020^[28]). Skills-job mismatches, especially in dynamic sectors, limit mobility into growth occupations, raising long-term exclusion risk. This can result in workers being unable to access well-paid jobs in relevant sectors and lead to pockets of disadvantage, which leave whole neighbourhoods facing entrenched inactivity and low wages. Research shows that

income and employment differences have widened within cities. In Germany, for instance, disposable income in the poorest neighbourhood of Frankfurt (Offenbach am Main) is only 53% of the richest neighbourhood (Hochtaunus) (Deshaies, 2022^[29]).

People AROPE in cities face disproportionate exposure and sensitivity to climate hazards due to existing disadvantage and limited adaptive capacity. In cities, low-income households tend to live in areas with higher environmental risks that amplify urban heat island effects. Moreover, residents facing poverty have fewer resources to prepare for or recover from climate shocks. For instance, living in poor quality housing, with limited savings and low insurance coverage, can compound the impact of floods, storms or heatwaves. These physical risks interact with energy poverty, health vulnerabilities and precarious employment, locking some groups into cumulative environmental disadvantage. When poorly implemented, even well-intentioned climate mitigation and adaptation responses – such as urban greening, renovation and clean mobility projects – can combine to drive “green gentrification” in cities. This can increase property values and displace lower-income residents, undermining their “right to stay” (Nieuwenhuijsen et al., 2024^[30]). Environmental inequalities compound these challenges. Studies across European cities, including Paris (France), Madrid (Spain) and Athens (Greece), find that heatwave mortality rates are significantly higher in low-income districts where poorer-quality, limited access to green and blue infrastructure, and lower levels of climate adaptation increase exposure and vulnerability (Rocha et al., 2024^[31]; López-Bueno et al., 2020^[32]).

Older people are confronted with additional pressures and risks of poverty or social exclusion in cities including from challenges accessing services, limited accessible housing and from other accessibility barriers which can contribute to social exclusion (OECD, 2025^[33]). Older people receiving minimum or means-tested pensions face higher poverty risks, as fixed incomes struggle to keep pace with rising urban housing and energy costs. Older women face a higher risk of poverty or social exclusion than older men, and people coming from non-standard or self-employment often encounter less favourable conditions for accessing and accruing pension rights than those in open-ended, full-time job contracts.

Meanwhile, for people AROPE in working age, the risk of poverty or social exclusion increases with age (Raitano et al., 2021^[3]). People with a migrant background and people with disabilities also experience higher exposure to poverty and exclusion due to accessibility barriers and stigma (Alderton et al., 2025^[34]). In the EU in 2024, 28.8% of people with a disability were AROPE, compared with 17.9% among people with no limitations, with this rate being substantially lowered by social transfers taking place (Eurostat, 2025^[35]). Finally, women face a higher risk of poverty or social exclusion – with the AROPE rate standing at 21.9% in 2024, compared to 20.0% for men (Eurostat, 2025^[1]) – reflecting persistent gaps in employment between men and women, occupational segregation and the burden of unpaid care.

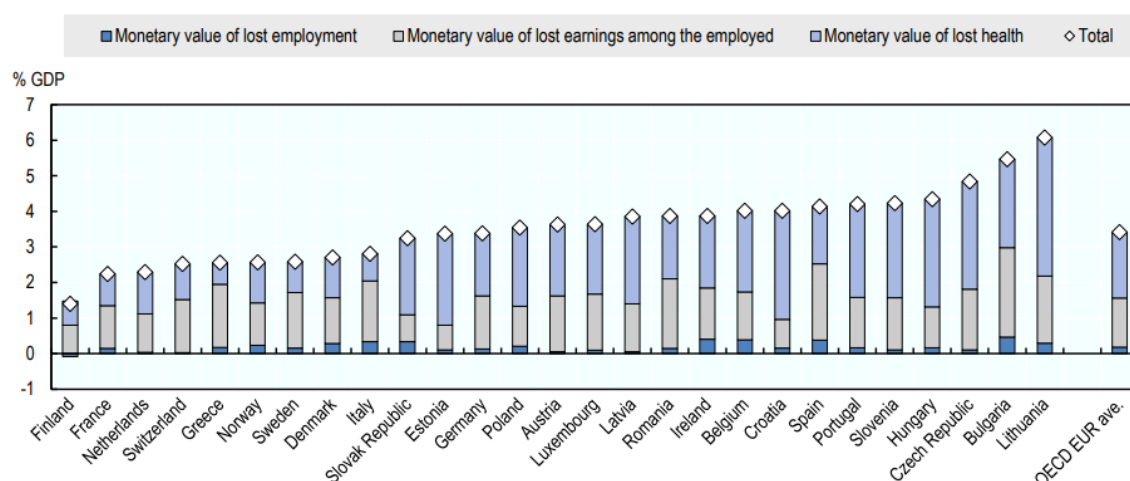
Why inclusion of people AROPE matters for growth in cities

Reducing poverty and social exclusion is an economic imperative for cities. Exclusion diminishes labour-force participation, weakens productivity and ultimately constrains cities and countries’ long-term tax bases. For example, reducing the gap in labour force participation between men and women by 25% could add about 1 percentage point to projected GDP growth across the OECD (OECD, 2018^[36]). Similarly, tackling historic childhood disadvantage across the OECD is not only a social goal in its own right but could address the estimated 3.4% of GDP lost in employment, earning and health (Figure 6). Evidence highlights that children growing up in disadvantaged neighbourhoods face lasting economic penalties – for example in the Netherlands, people raised in low-income neighbourhoods earn 5-6% less than peers from more affluent areas 12 years after leaving the parental home (OECD, 2016^[37]). In the United Kingdom, those raised in the bottom 20% of the income distribution experience lower adult earnings and a higher risk of unemployment (Social Mobility Commission, 2020^[28]). Poverty in childhood is also linked to poorer physical and mental health in adulthood, reducing economic output and placing additional pressures on local

budgets through higher healthcare and social-service costs (Mølland et al., 2020^[5]). Preventing these outcomes is also more cost-effective than addressing them later in life – with early interventions in child development, good-quality childcare and preventative health yielding substantial long-term economic returns.

Figure 6. Across EU OECD countries, historic childhood disadvantage costs the equivalent of 3.4% of GDP in lost employment, earnings and health on average

Estimated total monetary value of lost employment, earnings, and health for 25-59-year-olds who grew up in relative disadvantage based on the Index of Childhood Socio-Economic Status, % of GDP, by country, 2018-19



Note: "OECD EUR ave." refers to the unweighted average across the 24 covered European OECD countries. It excludes Bulgaria, Croatia and Romania.

Source: OECD calculations based on the EU Statistics on Income and Living Conditions (EU-SILC) survey 2019; Clarke, C. et al. (2022^[38]), "The economic costs of childhood socio-economic disadvantage in European OECD countries", <https://doi.org/10.1787/8c0c66b9-en>.

Beyond economic efficiency, poverty and social exclusion undermines cohesion and long-term resilience in cities. Across Europe, within-city income segregation has been intensifying between inner cities and their peripheries (OECD, 2018^[23]). These divides can manifest in unequal access to services, amenities and environmental quality – disparities that can weaken trust, reduce civic participation and contribute to more fragile community ties. This can increase the cost of delivering services, as cities must provide parallel or remedial services to disconnected neighbourhoods, deepen political polarisation and weaken a city's capacity to respond to shocks. To break intergenerational cycles of exclusion and expand access to opportunities, city-level action to reduce poverty and social exclusion, particularly through early and preventative interventions is crucial (Social Mobility Commission, 2020^[28]).

2 Policies and good practices to support people AROPE and promote inclusive growth in cities

Cities concentrate significant amounts of wealth alongside severe poverty. Enabling all residents to contribute to and benefit from their city's economic prosperity requires decisive action from national, regional and local policymakers to reduce poverty and social exclusion in cities. This chapter organises such policies and practices under the five core pillars of the OECD Inclusive Growth in Cities Framework: education and skills, labour-market access and quality jobs, housing and the built environment, public infrastructure and services, and fair and equitable climate action. Drawing on concrete, locally grounded interventions – supported by national or regional programmes or delivered through municipal initiatives – this chapter shows how national, regional and local governments can expand opportunity, reduce disparities, and empower all residents to thrive in cities.

Education

Education policies in cities can support children at risk of poverty and social exclusion across three key domains: ensuring equal access to high-quality and inclusive education at all levels (including early childhood), reducing material barriers to learning, and strengthening the social, emotional and extra-curricular support that fosters resilience and aspirations. A strong body of causal evidence highlights the effectiveness of high-quality ECEC for reducing disadvantage. ECEC improves cognitive and socio-emotional development, with lasting impact on long-term education, income and health outcomes while supporting parental employment (Heckman and Karapakula, 2019^[39]). Yet access remains unequal – in 2024, 76.4% of children AROPE received no ECEC, compared to 56.1% of non-AROE children (Eurostat, 2026^[40]). This may partly reflect “childcare deserts” being more common in deprived neighbourhoods (OECD, 2025^[41]). In response, the European Child Guarantee calls for free and effective access to ECEC, education and a least one healthy meal each school day for children in need, alongside integrated, place-based support tailored to disadvantaged urban areas (Council of the European Union, 2021^[42]).

Reducing inequalities in school quality across neighbourhoods is equally critical. National interventions such as France's *REP/REP+ (Réseau d'éducation prioritaire (renforcé))* – Priority education networks) channels additional resources to schools in disadvantaged areas, with evaluations pointing to modest but positive improvements in attainment, particularly where class sizes are reduced at early primary level (Ministère de l'Éducation nationale, 2019^[43]). Ireland's Delivering Equality of Opportunity in Schools (DEIS) programme similarly provides additional teaching, leadership and pupil supports to high-need schools, helping narrow achievement gaps, though staff shortages constrain impact. Evaluations of the programme indicate that it has helped reduce gaps in educational achievement (OECD, 2024^[44]).

Local initiatives can complement national programmes by addressing place-specific barriers. In Toulouse (France) reforms limiting transport times to 15–20 minutes, reducing class sizes and strengthening teacher training in disadvantaged districts narrowed achievement gaps and improved outcomes (European Commission, 2023^[45]). In Dublin (Ireland), multidisciplinary schools-based teams offer wraparound therapeutic support, including advice and training for school staff and parents, preventative work, early intervention and assessment, strengthening the capacity to address complex student needs (OECD, 2024^[44]). Targeted support must be carefully designed to avoid unintended stigmatisation of pupils or schools, however. Research shows that labelling specific areas as eligible for additional educational assistance can trigger “zone-and-shame” effects, with parents avoiding schools in designated neighbourhoods, undermining enrolment and reputation, and potentially affecting teacher recruitment and retention (Manon and Miren, 2023^[46]).

Beyond school quality, material deprivation continues to undermine learning. Food insecurity, lack of digital access and unaffordable transport directly reduce school attendance, concentration and progression. Evidence shows that universal school meal provision improves nutrition, reduces stigma and supports educational outcomes, particularly for children in low-income households (OECD, 2023^[47]; Patrick et al., 2021^[48]). In line with the European Child Guarantee, cities are expanding access to free school meals and essential services (Council of the European Union, 2021^[42]). Helsinki (Finland) provides free meals to all students, including during holidays, while Leipzig’s *Zu Tisch!* (Food’s ready!) strengthens learning environments by expanding access to nutritious food through schools and neighbourhood centres in disadvantaged neighbourhoods. Digital exclusion (being without reliable devices or broadband) is also critical: during the COVID-19 pandemic, a lack of devices and connectivity widened attainment gaps. Rome (Italy) responded by providing tablets and connectivity support to students from a disadvantaged socio-economic background, including Roma students. Similarly, Bergamo’s (Italy) *CAPACITYES* project, supported by the European Regional Development Fund (ERDF), combines access to education with housing support and cultural participation, tackling multiple dimensions of exclusion simultaneously.

Non-academic support, such as extracurricular and community-based activities and parent mentoring, also play a key role. Evidence from Germany found that after-school care can be especially effective for children from single-parent or immigrant households, particularly for cognitive and socio-emotional development (Schmitz, 2022^[49]). Extracurricular activities can also advance inclusive growth through other means. In Oslo (Norway), making after-school extracurricular programmes free and universal increased enrolment by 25 percentage points to 95% in participating schools. While evaluations showed no direct improvements in children’s academic outcomes, the programme supported the labour market participation of socially excluded groups, particularly mothers with an immigrant background, whose earnings rose by around 10% (Drange and Sandsør, 2024^[50]). Mentoring programmes that engage parents can further strengthen outcomes and build family-school relationships (OECD, 2025^[51]). By combining access to quality education, material support and strong social infrastructure, cities can reduce educational inequalities, support families and build the foundations for more inclusive local economies.

Labour markets

Employment is a key determinant of poverty risk in cities. To support people AROPE, cities can combine supply- and demand-side measures with people-based approaches. Improving job quality and reducing cliff edges in social transfers are also critical to ensure that employment into poverty reduction.

Increasing wage floors and in-work benefits are among the most direct tools to reduce in-work poverty and improve living standards. Cities can use their market power, as large employers and contractors, to embed wage standards through socially responsible public procurement or local living-wage campaigns (EMPL, 2023^[52]). In the United Kingdom, cities such as Glasgow, Cardiff and Manchester require contractors to pay wages above statutory minimums, calculated to reflect local living costs. Evaluations show these

clauses benefit the lowest-paid workers significantly, with employers absorbing costs in ways that reduce pay gaps without reducing employment (Dhatta and Machin, 2024^[53]). While most cities do not have the power to issue benefits or tax credits to people in or out of work, they can play an important role in ensuring take-up of existing benefits by eligible residents. In the Netherlands, municipalities have piloted new outreach channels, such as linking benefit information to schools or neighbourhood centres, to improve take-up among households in in-work poverty (Custers et al., 2023^[14]). This aligns with the Council Conclusions on adequate minimum income (2023), which emphasise the importance of accessible, well-co-ordinated income support combined with activation measures and local outreach (Council of the European Union, 2023^[54]).

Place-based reskilling strategies aligned with local growth sectors can further support transitions into higher paying and more secure employment. Working with local employers to design job training and developing co-funding mechanisms can help ensure that programmes reflect local needs (OECD, 2021^[55]). In Staszów (Poland), for example, an EU-funded initiative for people at risk of poverty combined career counselling, training and financial allowances. Among 42 participants, only one remained outside of the labour market after the programme, with 22 entering employment and 19 actively searching for a job.

For carers, including parents of young children, flexible work arrangements and affordable childcare is particularly crucial to being able to access labour opportunities. For instance, Landshut's Home & Care project (Germany), supported by the ERDF under the Urban Innovative Actions initiative, supports mothers with young children with flexible childcare provision, subsidised accommodation and services for career re-entry into better paying jobs. Evaluations show positive impacts on both employment and family well-being, underlining the importance of integrating labour market and care policies locally (UIA, 2023^[56]).

Groups facing exclusion in the labour market can be supported with comprehensive, individualised support to address their complex and intersecting barriers. For those outside the labour market, such as the long-term unemployed, NEETs, migrants or people with disabilities, tailored activation and integration measures are key to support re-entry to the labour market (OECD, 2021^[57]). These can be delivered through neighbourhood one-stop service hubs focused on the root causes of labour market exclusion. Subsidised employment in the social economy can be one step on the pathway to work. Berlin's *Solidary Basic Income* programme provides permanent jobs in socially valuable activities for people unemployed for 1-3 years. Around 1 000 positions were created in local administrations, public companies and social service providers, with employers supported through human resources coaching and EUR 2 500 bonuses for onward placements. Additional coaching and training was available to support transition into non-subsidised employment. Evaluations show participants reporting higher motivation and reduced reliance on welfare, though transitions into the open labour market remain limited (OECD, 2024^[58]).

Structural discrimination in hiring and workplaces continues to affect specific groups, systematically reducing employment opportunities and earnings (OECD, 2025^[51]). Experimental audit studies and meta-analyses show persistent hiring gaps across a range of countries and protected characteristics (such as migrants and their descendants, racial or ethnic minorities, people with disabilities, older workers, LGBT+ people and women) (Lippens, Vermeiren and Baert, 2023^[59]). Combined, system-level approaches – such as targeted outreach, employer incentives, supported hiring, monitoring and active enforcement – can address discrimination at multiple stages of the recruitment and retention process. For instance, people with disabilities face significant barriers to employment, and interventions that combine accessibility improvements, personalised support, and employer engagement deliver the strongest and most sustained employment outcomes (OECD, 2021^[57]). In Helsinki (Finland), the city's Disability Inclusion Plan integrates vocational training, supported employment services, and workplace accessibility improvements. More broadly, a study of alternative employment models for people with disabilities finds those that facilitate integration into the competitive labour market are associated with long-term employment outcomes and higher earnings versus segregated or sheltered work arrangements (European Commission, 2025^[60]).

Improving job quality is a central complement to employment policies (OECD, 2024^[61]). Poor quality jobs, characterised by low pay, insecure contracts and unpredictable hours, increase the risk of in-work poverty and can damage physical and mental health. In cities in particular, the expansion of gig work and insecure contracts can intensify poverty or exclusion (Pathirana, 2024^[62]). Platform and casual workers often face more volatile and unpredictable incomes, weak employment protections, limited access to social insurance and greater exposure to health and safety risks, while irregular hours complicate childcare, education or access to public services.

Housing and the built environment

Improving housing affordability requires a portfolio of complementary policy instruments that expand supply, enhance access and protect households facing the highest risk of deprivation in cities. Key instruments include scaling up social and affordable housing, renovating and repurposing existing housing stock, taking targeted action to prevent and address homelessness, and providing housing allowances or other financial support for households at risk of poverty. To promote inclusion and access to opportunities, new housing development can be integrated into mixed-income communities and transit-oriented neighbourhoods.

A sufficient supply of affordable housing is essential to reduce poverty risk and support inclusive growth in cities (FEANTSA, 2024^[63]). Cities can accelerate housing supply through regulatory reform and active land policy, enabling both new construction and more efficient use of existing buildings. Reforming local planning, land-use and zoning regulations in high-pressure housing markets can reduce restrictions on building, support density increases in appropriate locations and help align planning with market signals to facilitate additional private investment (OECD, 2023^[64]). Where the free market underprovides, direct government action through instruments such as subsidised land, tax reliefs or favourable finance for non-profit and social housing developers can be crucial for increasing supply. In this context, EU State aid rules provide important flexibility: under the Services of General Economic Interest (SGEI) framework, public authorities can support social housing for disadvantaged and socially less advantaged groups, including people experiencing homelessness. The Affordable Housing Action Plan further expands this scope, enabling support for a broader range of households, including low- and middle-income groups, essential workers, persons with disabilities, students and those with specific family circumstances (European Commission, 2025^[65]).

In Paris (France), mandatory inclusionary zoning requires a share of new developments to be affordable, ensuring a balanced social mix across districts. The city aims to reach 40% social housing by 2035 (City of Paris, 2024^[66]), a target supported by the *Solidarité et Renouvellement Urbain* (Solidarity and Urban Renewal) (SRU) national law, which obliges some municipalities to achieve 20 or 25% of their housing stock as social housing (Freeman and Maaoui, 2022^[67]). Avoiding spatial segregation is central to these efforts. Concentrated social or affordable housing can reinforce disadvantage and weaken access to employment, education and services. Mixed-income development and dispersed provision can support more inclusive neighbourhoods and improve long-term outcomes, which is of particular importance for marginalised groups, including Roma communities (Somogyi and Horváth, 2021^[68]).

When well designed, inclusionary zoning approaches like these encourage new development without creating gentrification pressures or contributing to further spatial segregation, instead enabling low-income households to access affordable housing close to employment and services (Freeman and Maaoui, 2022^[67]). However, the effectiveness of inclusionary zoning and related developer obligations depend on market strength, predictable rules, flexible design and complementary public investment (OECD/Lincoln Institute of Land Policy, PKU-Lincoln Institute Center, 2022^[69]). In addition to expanding the housing stock, ensuring that those who would benefit most from social housing and allowances are prioritised can help manage a limited stock of social housing.

Housing policy is most effective when integrated with transport, public services and environmental factors. Mixed-use, connected neighbourhoods underpin inclusive growth by fostering better access to jobs, shorter commuting times and better well-being (OECD, 2020^[70]; Moreno Monroy et al., 2020^[71]). Transit-oriented development approaches can improve accessibility, increase uptake of sustainable mobility and create more efficient transport systems (OECD, 2020^[72]). Area-based initiatives such as Stockholm's (Sweden) Fokus Jarva regeneration combine housing renewal with local job programmes and additional school investments. The Fokus Jarva initiative focuses on renovating ageing housing stock, improving energy efficiency, upgrading public spaces and increasing the quality and attractiveness of existing rental housing. Alongside these “hard” investments, the programme also seeks to narrow educational disparities between residents of Jarva and other districts of Stockholm. Early evidence found that youth unemployment in the district fell from 10.0% in January 2024 to 8.3% in December 2024 – going against broader trends in Stockholm and Sweden more generally (SVT, 2025^[73]). Similarly, Rome's (Italy) *Contratti di Quartiere* (Neighbourhood Contracts) in peripheral areas facing higher risks of poverty combine housing refurbishment with community and employment services with the aim of breaking cycles of concentrated disadvantage. While evidence from Sweden suggests such initiatives may not reduce city-level segregation, as residents who improve their economic situation tend to move away from vulnerable areas, the interventions can still improve outcomes at the individual level – improving access to education, employment or increasing citizen participation (Grander, Roelofs and Salonen, 2021^[74]).

In parallel, cities are deploying more responsive approaches to severe housing exclusion. Housing First programmes have been among the most cost-effective ways to address homelessness while improving health and employment outcomes (OECD, 2024^[75]; Baxter et al., 2019^[76]). Complementing these approaches, many cities work with civil society organisations to provide integrated support services for people experiencing homelessness. In Paris (France), the NGO La Mîe de Pain has an integrated approach which provides emergency accommodation, social support and pathways to reintegration for people experiencing homelessness. Through facilities such as shelters and reintegration support, it provides not just immediate housing solutions but also access to employment support, healthcare and administrative assistance, illustrating the importance of partnerships between municipalities and civil society to tackle severe housing exclusion. Lisbon's *É Uma Casa* (It's a House) provides immediate, unconditional access to housing alongside mental health and employment support. Evaluation of the programme found that among the 131 people supported (2013-2022), 90% did not return to homelessness around 50% reduced their substance use, and participation in employment-related activities increased among the supported group (Crescer, 2023^[77]). Housing also plays a central role in ensuring independent living and social inclusion, particularly for persons with disabilities. Access to affordable, accessible and quality housing, combined with personalised support services, is a key enabler of deinstitutionalisation and participation in community life (OECD, 2021^[78]).

Housing allowances can help shield low-income renters from shocks and prevent evictions, but only if they are accessible and easy enough to claim. In Upper Austria, both social housing tenants and private renters are eligible for a housing allowance of up to EUR 300 a month, calculated based on household income. However, take-up remains limited since around 21% of eligible households do not claim the allowance, with lower participation among single-person households and migrants from non-EU countries. Research points to complex application procedures and low awareness, and recommended simplifying processes through digitalisation, multilingual communication and proactive outreach to boost take-up and enhance the potential impact of the allowance to reduce poverty (Fuchs and Premrov, 2021^[79]).

Public services and infrastructure

High-quality public services form a core pillar of inclusive growth in cities and play a central role in preventing and alleviating poverty and social exclusion. Basic service provision, alongside targeted and community-based delivery models, can reduce inequality, improve life chances and strengthen economic

participation. However, high rates of non-take-up continue to compound exclusion. Across Europe, 29-57% of eligible households do not claim minimum income benefits due to barriers such as administrative complexity, stigma or a lack of information (ISSA, 2023^[80]). Redesigning services around the needs of people AROPE, through simplification, outreach and integration, is therefore essential to restore community trust and ensure public services reach those who need them most.

Advancing deinstitutionalisation and community-based services can provide a key lever to address gaps and reduce exclusion. The European Commission Guidance on Independent Living emphasises the transition away from institutionalised care towards person-centred, community-based services that enable independent living, particularly for persons with disabilities (European Commission, 2024^[81]). Such models not only improve autonomy and quality of life but also strengthen social and labour market participation. Community-based services generate wider positive outcomes, including alignment with user needs, earlier intervention and improved cost-effectiveness of social investments through reduced reliance on crisis services and institutional care (Eurofound, 2024^[82]). For cities, this implies investing in local, multidisciplinary services that combine health, social care, employment and housing support.

Universal provision of services such as healthcare, transport, culture and social services can help reduce inequalities in cities but without inclusive design may disproportionately benefit middle-income groups (Ogden and Phillips, 2024^[83]). Pairing universal entitlements with targeted measures, such as outreach, fee waivers, simplified procedures and co-located services, can improve take-up among AROPE groups (Box A A.3). In the Borough of Camden, London (the United Kingdom), the council has been exploring the idea of Universal Basic Services as a framework for future public services in a dense, highly unequal, inner-city context. The approach seeks to ensure that services are accessible, free at the point of need, locally embedded and integrated, so that residents do not have to navigate multiple systems or repeatedly “retell their story”. It also emphasises democratic co-production, giving service users a meaningful role in shaping and adapting services over time. The current pilot focuses on three areas: digital inclusion, food access and mobility as a service, with the aim to reduce everyday cost burdens for low-income residents and improving access to essential opportunities and neighbourhoods (London Borough of Camden, 2025^[84]).

Even modest user costs such as transport fares or library fees can create barriers for low-income households. Cities are therefore increasingly reducing or removing these barriers to enable equal access to services that build human capital, well-being or employability. Affordable and well-connected transport systems are of particular importance to link low-income residents to jobs, education, healthcare and social participation. Cities have multiple levers to improve transport inclusion, from fare setting and service reliability to network coverage and integrated land-use planning with evidence showing that impact is greatest when measures are combined (ITF, 2024^[85]). These can include affordable transport or mobility passes, expanded services to underserved areas, active mobility or safe street design.

As a result, several European cities have introduced fare-free public transport (FFPT) or targeted mobility concessions. In 2013, Tallinn (Estonia) became the largest European city to introduce universal FFPT across trams, trolleybuses and buses for its 420 000 registered residents. Following introduction, public transport use in the city increased by 23% among low-income, out-of-education and unemployed residents, contributing to improved access to city services and opportunities (European Commission, 2023^[86]). Similarly, evaluations from Clermont-Ferrand (France) show that benefits from FFPT are concentrated among low-income users (Drut, Truchet-Aznar and Fages, 2025^[87]). However, universal FFPT can undermine financial sustainability and service quality of public transport systems, induce shifts away from active mobility such as walking, and reduce the margin to use fares as a behavioural or social-equity tool (ITF, 2024^[85]). More targeted support for low-income users, such as means-tested passes, allocated based on income or mobility credits that can be used towards public transport, can therefore provide a more equitable and financially sustainable alternative (Drut, Truchet-Aznar and Fages, 2025^[87]).

Beyond affordability, proximity and service location strongly shape access for people AROPE. Locating essential services within low-income neighbourhoods, including health centres, libraries, community kitchens or sports facilities, can increase uptake, reduce stigma and lower the time and financial burden of access. A review of co-located public services found that integrating health, social and community support within non-clinical settings such as libraries, community centres and food banks reduces stigma, improves access for marginalised groups and enhances sustainability for local authorities who can pool staff and share resources (Baskin et al., 2023^[88]). To improve service proximity in Leeds (the United Kingdom), the city has introduced the HomeFirst programme, an approach that enables more people to receive care in their homes or return home from hospital sooner by providing mobile services at home. This brings benefits to the particularly vulnerable patient groups such as the elderly, who face higher mortality rates after a stay in hospital, as well as reducing care costs for local governments. Over the 2023-24 winter in Leeds, the city found a significant drop in the number of people admitted to hospital, as well as a reduction of those waiting to be discharged. Building on this success, the programme was expanded in 2024 and drew national attention as a best practice in health and social care integration (City of Leeds, 2025^[89]).

Reducing service fragmentation is particularly important for people facing multiple disadvantages. For people AROPE, the administrative burden associated with some supports can be a deterrent to access services and support. Evidence shows that services in easily accessed, community-based settings increase early intervention, reduce drop-off rates and strengthen engagement among groups facing the highest barriers to institutional services (European Social Network, 2016^[90]). A study of six European cities – Pallini and Athens (Greece), Rijeka (Croatia), Rotterdam (the Netherlands), Valencia (Spain) and Manchester (the United Kingdom) – found that integrating health and social care within neighbourhood hubs can improve access and preventative care for vulnerable groups compared to traditional siloed provision (Franse et al., 2017^[91]). In Rennes (France), the *Carte Sortir!* (Go out! card) scheme was launched in 2009 to help the inclusion of socially disadvantaged audiences. The card gives eligible residents discounted or free access to cultural, sport and leisure activities and provides transport access. Almost 50 000 people held the card in 2023, taking part in regular and one-off activities with partner organisations across the metropolitan area (City of Rennes, 2025^[92]). The scheme lowers the barriers of cost and travel for cultural participation, enhancing social participation while boosting health and well-being.

Finally, digital connectivity has become essential for accessing employment, education, healthcare, financial services and social benefits. Yet digital exclusion remains a significant barrier for people AROPE. Policies such as public Wi-Fi, device loans or digital skills support embedded within libraries or community centres can help support this goal. Ghent (Belgium) has been fostering digital inclusion by offering support for groups to access government services, improving access to devices and low-cost internet for low-income families, and providing tailored digital learning opportunities for vulnerable job seekers. Ghent's "Digicoaches" project with NextGenerationEU funding helps around 2 000 residents a year, embedding digital help and lessons directly within social services. This integrated model allows social workers to address digital barriers as part of broader support pathways such as employment, income support or housing. Social workers also view it as supportive to their work as it enables them to continue to support clients as government services increasingly move online (Box A A.4) (City of Ghent, 2023^[93]).

Fair climate action

Climate action in cities can further exacerbate existing vulnerabilities when social and spatial inequalities are not explicitly addressed. Cities can advance a just green transition by incorporating social safeguards into local climate action, for example in housing, energy or mobility and by promoting skills development and workforce pathways into green jobs.

Decarbonisation of the built environment can impose short-term costs on low-income households (OECD, 2022^[94]). Energy efficiency retrofits or low-carbon heating require significant upfront investments that can be prohibitive for low-income groups. In rental housing, the “split incentive” problem, where landlords bear the cost of upgrades, but tenants reap the savings, creates a barrier to investment. Studies in Germany and France show that landlords often underinvest in energy retrofits, especially in low-rent markets, since they cannot easily recoup costs through rent increases (Lang et al., 2021^[95]). Social housing providers, constrained by budget limits, also face difficulties in upgrading stock at scale without public subsidy.

Coupling building renovation programmes with social safeguards can therefore help reduce both emissions and energy poverty. For example, France’s *MaPrimeRénov’* (My Renovation Bonus) programme (2020-2025) offered higher subsidies for low-income households, with the *Sérénité* (Serenity) stream offering complementary support for advisory and administrative procedures. In the first half of 2023, low-income households received 81% of the programme’s subsidies. An evaluation found measurable reductions in household energy expenditure and improved comfort among low-income beneficiaries (France Stratégie, 2024^[96]). The city of Rotterdam (the Netherlands) is using its rooftops, including of social housing, to achieve environmental goals including to boost biodiversity, address urban heat islands, generate sustainable energy, and manage storm water while providing spaces for social cohesion and giving a particular focus to low-income groups. For instance, De Peperklip, a social housing complex of 550 homes, built the country’s longest green roof (Eurocities, 2019^[97]). Cities are also creating energy poverty one-stop shops, such as Athens’ Energy Poverty Alleviation Office, which exempts households in energy poverty, as well as other vulnerable groups (including individuals with disabilities, single-parent families, and families with three or more children), from municipal charges.

Similarly, climate mitigation measures in urban mobility can inadvertently penalise low-income residents. These groups are less likely to own compliant vehicles and can face higher charges such as higher grid fees due to increasing electricity demand for private electric vehicles (EVs) (Remme, Sareen and Haarstad, 2022^[98]). In several European cities, including Warsaw (Poland) and Bergen (Norway), low-income drivers were found to be disproportionately impacted by vehicle restrictions, while higher-income households captured most EV subsidy benefits (Wielgolaski, 2025^[99]; Remme, Sareen and Haarstad, 2022^[98]). To address this, cities increasingly integrate equity into mobility transitions. In Milan (Italy), often cited as one of Europe’s most car-dependent cities, the Area B Low Emission Zone introduced in 2019 includes targeted exemptions and vehicle subsidies for lower-income residents (income less than or equal to EUR 20 000) (Marchetti and Antonelli, 2024^[100]). Modelling estimates that the city’s efforts to reduce air pollution, including through the low emission zone and changes to the vehicle fleet, will cut NO₂ levels in Milan by 54% in 2030 compared to 2017 levels and reduce air-pollution related mortality by 50% – benefitting all residents, but especially those in more polluted neighbourhoods (Piccoli et al., 2025^[101]).

Effective urban climate strategies therefore combine physical resilience with social inclusion measures. From 2019 to 2021, Paris’ *Oasis Schools* project received EUR 5 million from ERDF funding under the Urban Innovative Actions initiative to retrofit 10 school playgrounds. It focused on transforming them into green, permeable and shaded spaces which are open to local communities outside of school hours. The aim was to use innovative material to significantly reduce local surface temperature, address heat island and improve social bonds in the neighbourhood (UIA, 2022^[102]).

Supporting skill development for people from disadvantaged groups is also critical to ensure access to emerging green job opportunities. Green opportunities are heterogeneous. While high-skill jobs often pay above-average wages, low-skill green jobs tend to offer poorer job quality than other low-skilled jobs, suggesting limited appeal for low-to-medium qualified workers and highlighting the need for targeted measures to ensure people AROPE are not left behind in the green transition (OECD, 2024^[103]). To support these groups, targeted retraining and inclusive hiring pathways can foster both economic resilience and inclusion (OECD, 2023^[104]). Madrid’s (Spain) Forest Stewardship Council Espana offers specific training on forest management and sustainable wood industry skills to support unemployed people accessing the

labour market (Hofman, 2022^[105]). Similarly, Scotland's Just Transition Fund for the North East and Moray (2022-2032) allocates dedicated funding to workforce reskilling and regional diversification in a region whose economy was historically highly dependent on fossil fuels and is now transitioning towards a net zero economy. Covering cities such as Aberdeen and Dundee, early evaluations of the fund indicate strong SME engagement and new opportunities for workers to access jobs in clean energy, digital innovation and low-carbon industries (Scottish Government, 2025^[106]). Among recommendations for the coming years, the evaluation suggests explicit financial incentives for businesses hiring transitioning workers to support job retention, long-term funding for skills development programmes in green sectors and strengthened pathways between training programmes and employment opportunities (Box A A.5).

3 Enablers of effective action for people AROPE in cities

In many cities, concentrated disadvantage, urban decay and low-quality public services and infrastructure erodes trust, reduces civic participation and weakens social cohesion. This chapter considers seven enabling factors which are consistent across all three Inclusive Growth policy papers and the *What Works for Inclusive Growth in Cities* report (OECD, 2026^[8]). These enabling factors focus on how cities organise, finance and sustain action for people AROPE, rather than on specific policy instruments themselves. They include: i) strategic multi-level governance; ii) inclusive policy design that is people-based, place-based and participatory; iii) the availability and use of data to identify and monitor AROPE; iv) sustainable and inclusive financing; v) the technical capacity of local actors to deliver integrated support; vi) monitoring, evaluation and adaptive learning focused on outcomes for people AROPE; and vii) communication and political leadership to build durable support for anti-poverty action. Together, these factors define the institutional and operational foundations that allow cities to translate inclusive growth ambitions into measurable reductions in poverty and social exclusion.

Strategic approaches to support people AROPE across levels of government and stakeholders

Fighting poverty and social exclusion requires strategic action across levels of government and municipal departments over an extended time frame. Strategic action refers to setting a clear, long-term direction – defining shared objectives and actionable targets per level of governance, prioritising root causes of poverty and embedding prevention, equity and inclusion into policy design. This includes recognising that people AROPE often face multiple and intersecting forms of disadvantage, experience poverty differently across the life course and target territories and can require support regardless of residence or legal status (EAPN, 2025^[107]). Additionally, policies, funding streams, responsibility and delivery mechanisms to support people AROPE should be aligned across sectors and levels of government to effectively translate strategic objectives in practice.

Given that people AROPE often need support across multiple domains – including housing, income and employment to health, education, debt advice and migration – effective co-ordination across levels of governance and between local actors is essential to reduce fragmentation. This includes political leaders, municipal departments, local government-owned enterprises, NGOs and NPOs, community organisations, volunteers and private sector actors (Schinnerl and Greiling, 2019^[4]). Due to their proximity to people AROPE, city authorities are well placed to design targeted, place-based interventions. However, many of the core levers that shape poverty outcomes, including social protection, housing allowances, education, healthcare and labour market regulation, often sit with national or regional governments (Schinnerl and Greiling, 2019^[4]). When strategic objectives, funding and accountability are misaligned across levels of government, local action can become fragmented, short-term or constrained in scale leading to cost inefficiencies and duplication of resources. When multiple small entities provide similar services in

isolation, such as labour market integration support for people with disabilities, they fail to exploit economies of scale, increasing operational expenses. Strong horizontal and vertical multi-level governance, combined with clear strategic direction, is therefore fundamental for enabling cities to reduce AROPE and deliver inclusive growth.

City-level anti-poverty strategies can help shift responses from fragmented or crisis-driven interventions towards more holistic and preventative approaches. Such strategies help clarify roles, prioritise actions, strengthen cross-departmental co-ordination and mobilise external partners and funding. Despite this, whole-system anti-poverty strategies remain uneven at the local level across Europe. In England (the United Kingdom) for instance, only 13% of local authorities have a local anti-poverty plan in place (CPAG, 2025^[108]), which means that most local action remains reactive and fragmented, rather than preventive and long-term. Evidence from a comparative study of 22 cities across Austria, Belgium, Denmark, Germany, the Netherlands and the United Kingdom found that only a small number of cities (Amsterdam, the Netherlands), Glasgow (the United Kingdom) and Leipzig (Germany)) had a structured city-wide, anti-poverty strategy with measurable objectives and multi-stakeholder governance in place (Schinnerl and Greiling, 2019^[4]).

Across Europe, a growing number of cities have adopted whole system strategies to tackle AROPE, through aligned policies and delivery mechanisms. Utrecht's (the Netherlands) 2024-2033 Inclusion Strategy focuses on equal opportunities in education, health, work, social development and housing. It aligns municipal departments, employers, the health sector and civil society behind ten long-term objectives that align programmes and strategies to support inclusion and improve life chances and bring coherence to policy efforts. The measures are also underpinned by data-driven early interventions and biannual reporting. By articulating how various inclusion strategies in the city work together, the Inclusion Strategy aligns action through shared aims helping to get buy-in from across the city's departments and stakeholders. In Barcelona (Spain), the Municipal Strategy Against Poverty and Inequality (2024-2027) builds on earlier inclusion strategies, integrating income support, housing assistance, minimum income schemes, labour market pathways, food support, digital access and child poverty reduction into a single strategic framework. It also supports multi-level action, including through joint action plans with neighbourhood level social services, schools, health providers and civil society, supported by a Municipal Observatory of Poverty and Inequality to monitor progress and ensure policy coherence across the city.

Horizontal action at the local level is critical for translating strategies into joined up delivery across sectors. A whole-place approach, in which cities organise planning and services around the needs of residents rather than individual departmental silos, can enable cities to organise systems around the actual needs of residents, rather than around the distinct portfolios of individual city departments. A whole-place approach can generate efficiency gains by reducing duplication of spending and services and creating shared accountability across city-wide organisations (IfG, 2025^[109]). Practical mechanisms to support this include collaborative boards with shared decision making and joint objectives, joint commissioning frameworks, pooled budgets, shared outcome indicators and interoperable data systems that allow information to be easily exchanged across organisations. This integrated approach can also foster greater synergies between investments and interventions on service provision, human capital development and infrastructure and thus achieve more holistic solutions.

Vertical action is also essential, as key drivers of AROPE are governed and financed across multiple levels of government. Multilevel governance approaches enable partnerships between national and city-level governments to co-shape priorities and drive joint action. Many medium and smaller cities interviewed across Austria, Belgium and Germany reported feeling constrained by limited influence over policy design and by short-term funding cycles that undermine sustained progress (Schinnerl and Greiling, 2019^[4]). Evidence from Scotland (the United Kingdom) illustrate the benefits of an approach co-ordinated with other levels of government. The Child Poverty 2017 Act requires local authorities to produce Child Poverty Action Plans aligned with national objectives and supported through non-statutory guidance, best practice

exchange and analytical support. The model also includes a national co-ordinator who focuses on local planning and reporting, to strengthen local capacity and in particular assist less-resourced areas to design targeted interventions drawing on the available evidence base (Scottish Government, 2018^[110]). Similarly, a core element of Portugal's National Strategy for the Integration of Homeless Persons 2017-2023 is the representation of local homelessness units within the national governance structures (Baptista, 2018^[111]). Ireland's Social Inclusion and Community Activation Programme (SICAP) further illustrates how multi-level governance frameworks can align national objectives and funding with flexible, local delivery to support people most at risk of poverty or social exclusion (Box A A.6).

Designing people-based, place-based and participatory policies for people AROPE

Trust and legitimacy in local institutions are critical enablers of inclusive policy design, particularly for reaching people most AROPE. When local governments fail to deliver reliable, accessible quality public services, institutional legitimacy suffers, making it harder to engage residents and design effective, people-centred solutions (Robb et al., 2025^[112]). In contrast, people- and place-based approaches with participatory elements can make local policies more tangible and accessible, rebuilding trust among AROPE communities furthest from public support.

Ensuring that policies reflect the lived experience of people in poverty is key to ensuring services respond to real needs of citizens. This requires engaging residents and target groups not only in consultation but throughout the policy cycle, with feedback loops to adjust interventions as they are implemented. In Łódź (Poland), the Municipal Social Welfare Centre has expanded beyond statutory welfare functions to work with NGOs and people with lived experience to shape more tailored support. Initiatives include employing intercultural assistants and social workers from Ukraine to better support refugee families, creating a dedicated homelessness department offering low-barrier services (e.g., laundry, washing facilities and a medical aid centre staffed by trained volunteers) and operating Poland's only co-educational homeless hostel with on-site psychological support. User engagement also revealed that allowing pets to stay in the hostels was critical to uptake, as many people experiencing homelessness would otherwise avoid using these services. Designing services together with users helped reduce stigma, lower access barriers and sustain engagement.

People-based policy design must also explicitly address power imbalances between policymakers and various affected groups to avoid tokenistic participation. Creating conditions for safe, equal engagement is essential to ensure participation is genuinely empowering (CPAG, 2025^[108]). Such power asymmetries are also visible in urban policy areas such as climate transitions, where housing tenure insecurity and unequal bargaining power between stakeholders can undermine fairness in both policy design and outcomes. Renters – who are overrepresented among AROPE groups – stand to benefit from energy efficiency upgrades but are often excluded from renovation schemes due to tenure insecurity and weak landlord incentives. Addressing these structural imbalances is necessary to drive fair outcomes. Participatory mechanisms such as citizens assemblies can incorporate diverse lived experiences into decision making, support dialogue across social groups, and reduce the influence of short-term electoral cycles or lobbying, enabling a stronger focus on long-term, collective interests.

Similarly, place-based approaches matter as poverty and social exclusion are unevenly distributed within cities and often reinforced by spatial mismatch between where people live and where jobs, services and opportunities are located. People AROPE in cities are often concentrated in neighbourhoods with weaker access to public transport, education, healthcare and childcare, amplifying barriers to labour market participation and social mobility (OECD, 2025^[51]). Within metropolitan areas, poorer neighbourhoods tend to offer fewer and lower-quality opportunities and services than wealthier areas, contributing to persistent intra-urban inequalities in life chances (OECD, 2016^[37]). Place-based approaches allow cities to tailor

policies to local conditions, recognising that identical measures can yield very different outcomes depending on neighbourhood characteristics, connectivity and service ecosystems. Analysis finds that policy tools focusing on place-specific constraints and assets can be more effective at addressing disadvantage than uniform, “spatially blind” approaches, particularly when they combine improvements in local public goods, infrastructure and community services within broader inclusion goals (OECD, 2025^[113]).

Co-production approaches, where residents, and especially people with lived experiences in poverty and social exclusion, are actively involved in the design, delivery or evaluation of services can further rebuild trust, empower communities and increase uptake in neighbourhoods with a high share of people AROPE. Evidence from city-led neighbourhood outreach in underserved areas of Buffalo, New York (US) found that combining direct, practical support for residents with highly visible improvements in the neighbourhood such as street cleaning can strengthen confidence in local authorities. The Clean Sweep initiative in Buffalo paired environmental improvements with door-to-door engagement, finding that treated neighbourhoods were 42% more likely to report drug-related crime and 9% more likely to report environmental problems (e.g., fly-tipping, vacant properties) within 6 months compared to similar areas, reflecting increased trust and willingness to engage with public services (Dickens et al., 2025^[114]; Robb et al., 2025^[112]).

Co-production can also reduce structural barriers to accessing services by improving policy design and access pathways. Working through trusted intermediaries such as schools, neighbourhood hubs or peer mentors, can help reach residents when formal services struggle to engage, particularly when there is distrust of institutions, cultural barriers or previous negative experiences. In the Netherlands, where in-work poverty is rising and take-up of benefits remains low, embedding information in familiar, easily accessible settings (like schools, sports clubs or workplaces) has increased awareness, uptake and sustained engagement (Custers et al., 2023^[14]).

European cities are also using co-production to regenerate neighbourhoods and tackle exclusion. Turin’s (Italy) Co-City programme (2017-2020), an Urban Innovative Action funded by EUR 4.1 million from the European Regional Development Fund (ERDF), transformed abandoned or underused public buildings into community assets through “pacts of collaboration” between residents’ associations and the municipality (UIA, 2020^[115]). Developed in response to rising poverty, distrust in institutions and uneven access to social innovation, the Co-City programme supported residents to co-manage spaces for social services, cultural activities, skills development and social enterprise creation. By shifting the municipality into a facilitation role and positioning residents as co-producers, the model helped rebuild social capital and strengthen neighbourhood cohesion. Evidence indicates the programme was effective in mobilising community actors and reactivating disused urban spaces. By 2020, more than 50 pacts of collaboration were signed across Turin’s neighbourhoods (UIA, 2021^[116]). While participation was boosted, the initiative faced challenges from “participation capture” (OECD, 2016^[37]) with stronger uptake in neighbourhoods that already had organised civil society groups in place, while more marginalised residents required intensive outreach to engage. Final evaluations highlight how co-production can be an effective way to engage marginalised communities in cities, but its success depends on sustained capacity-building and simplified governance tools to avoid reinforcing pre-existing engagement gaps (UIA, 2021^[116]).

Generating and using granular data to identify, target and monitor AROPE in cities

Accurate, granular and timely data are fundamental for designing, targeting and evaluating effective city-level interventions. However, across the EU, poverty measurement frameworks diverge in scope, data quality and granularity, limiting the ability of cities to fully understand who is affected by poverty, how and where. While the EU’s AROPE indicator provides a common reference at the national level, it is not available at the functional urban area (FUA) level, constraining distributive analysis – particularly for small and medium-sized cities. As a result, cities adopt different definitions and measurement approaches,

drawing on income thresholds, social benefits claims or administrative data. Definitions vary across and cities: some take a narrow approach focusing just on income poverty, such as Utrecht (the Netherlands), which defines it as 125% of the social minimum. Even within cities, different local agencies can use different definitions of poverty, as observed in Duisburg (Germany) (Schinnerl and Greiling, 2019^[4]). Moreover, monetary measures alone do not capture the full extent of deprivation in urban contexts. Increasingly, a broader approach to poverty is taken which encompasses disadvantage across income, education, health, housing, well-being and happiness (Nguyen et al., 2025^[117]). While these broader approaches offer a more comprehensive view of vulnerability, they also increase data requirements and complexity at the local level.

Even when poverty and social exclusion are commonly defined, local datasets face major gaps in disaggregation by demographic group, neighbourhood or type of disadvantage. Vulnerable AROPE populations such as single parents, people experiencing homelessness, migrants and refugees, people of racial and ethnic backgrounds (including Roma), children and people with disabilities are often under-represented in surveys (Raitano et al., 2021^[3]). The lack of longitudinal data further limits cities' ability to distinguish between temporary and persistent poverty or to identify the life events that trigger transitions into poverty. Although such panel data would substantially improve targeting and evaluation, they remain limited even at the European level (Raitano et al., 2021^[3]). Without granular and intersectional data on AROPE in cities – while respecting ethical and legal safeguards, cities' ability to set strategic targets on reducing poverty is limited (EAPN, 2025^[107]).

National governments therefore have a key role to play in providing the enabling data infrastructure cities require. Co-ordinated investments in shared definitions, indicators and infrastructure would support more granular understanding of urban EU poverty and social exclusion in cities of all sizes and locations. In particular, combining survey-based instruments such as the EU-SILC (statistics on income and living conditions) with administrative data sources (e.g., tax, social security or employment records) can significantly enhance the granularity, frequency and accuracy of poverty estimates. Administrative data can reduce sampling bias and allow analysis at finer geographic scales, while also enabling more timely policy responses (Nguyen et al., 2025^[117]). However, unlocking these benefits requires robust legal frameworks, data governance arrangements and technical capacity to ensure secure data linkages and interoperability across institutions (Nguyen et al., 2025^[117]).

Large cities generally provide more comprehensive data summaries. Examples include Dublin's (Ireland) Evidence Book or Brussels' (Belgium) Social Barometer, which disaggregate poverty by age, household composition, migration status and disability to better understand intersecting vulnerabilities (Dublin City Council, 2025^[118]; Schinnerl and Greiling, 2019^[4]). Small and medium-sized cities and lower-income countries struggle to collect such data. For example, the city of Antwerp (Belgium) has no measure of poverty and instead uses a matrix across several domains to evaluate the impact of poverty alleviation services on recipients (Schinnerl and Greiling, 2019^[4]).

Improved local level data collection through surveys, linked administration data and qualitative insights, including from service users, can support more tailored interventions. In Barcelona (Spain), a neighbourhood-level database has been developed with over 100 indicators, including measures of living conditions, equal opportunities and community dynamics. Developed in partnership with the Metropòli Institute and the Diputació de Barcelona, the work reveals exclusion patterns such as income and material deprivation, employment and education gaps and housing and living conditions such as overcrowding, which are not visible in national datasets and provide a strong basis to help guide local interventions to support people AROPE (Porcel et al., 2024^[119]).

Homelessness measurement illustrates persistent data challenges. Homelessness statistics may cover people who are "roofless" (e.g. sleeping rough in public places); people who are "houseless" (e.g. staying in temporary or emergency accommodation); people who are living in insecure housing (due to insecure tenancies, the threat of eviction, or the experience of intimate partner violence); and/or people living in inadequate housing (e.g. in squats, tents, vehicles, unfit housing, or extreme overcrowding) (OECD,

2025^[120]) (FEANTSA, 2014^[121]). Official data often rely on narrow, or point-in-time counts that can underestimate the scale and fluidity of homelessness, particularly among people cycling between temporary, insecure or inadequate housing. Heterogeneous definitions across countries and persistent methodological issues affect data quality, scope and comparability. Citizen-generated and community-led initiatives can complement official data and help identify “hidden homelessness”. In Paris (France), for example, more than 2 000 volunteers and social-work professionals take part each year in the *Nuit de la Solidarité* (“Night of Solidarity”) street count. Participants receive training on homelessness, ethics and safety, and each team is led by an experienced practitioner to ensure accuracy and sensitivity during data collection. The initiative not only produces neighbourhood-level data on people sleeping rough but also fosters awareness, empathy and public accountability. The model has since been replicated in several French cities and inspired similar initiatives in Berlin and elsewhere (OECD, 2025^[120]). While such volunteer-based approaches cannot replace systematic administrative or survey data, they can significantly improve coverage and relevance.

Data fragmentation also arises because poverty-related data are spread across multiple institutions, including municipal services, national welfare systems, housing authorities and education providers. The absence of data-sharing agreements and interoperability challenges can prevent frontline services from building a holistic picture of household vulnerability. Some countries have addressed this through integrated social registries or secure data-linkage platforms. In Estonia, *X-tee*, the data-exchange layer for information systems, provides a secure, standardised infrastructure connecting over 3 000 public and private databases, enabling seamless data exchange across ministries and municipalities while maintaining strict privacy and security standards. The system offers multiple benefits, including allowing authorised public officials to compile a more complete profile of households, such as income-level, employment, migration status and housing tenure through a single data request – in theory enabling quicker identification of families AROPE. Similarly, households do not need to be repeatedly asked for various information as it can be verified through *X-tee* (RIA, 2016^[122]). More broadly, developing interoperable data infrastructures aligned with the EU’s data strategy can improve accessibility, consistency and usability for policymakers (Nguyen et al., 2025^[117]).

To guide place-based policies, several EU countries have developed local deprivation indices. The Pobal Haase-Pratschke (HP) Deprivation Index in Ireland combines demographic, social, and economic indicators at small-area level, offering Irish cities detailed insights on neighbourhood-level disadvantage (Box A A.6). The index is a core input to national resource-allocation mechanisms such as the Social Inclusion and Community Activation Programme (SICAP) funding and monitor progress on inclusion outcomes. In the city of Limerick, for example, the HP Index is cited throughout the Local Economic & Community Plan (LCC) and by the city’s Children and Young People’s Services Committee (CYPSC). Mapping of the index supports the location of extremely and very disadvantaged small areas within the city and prioritise early-years, family support and regeneration interventions in those neighbourhoods (Box A A.7) (LCCC, 2023^[123]; CYPSC, 2020^[124]). These approaches illustrate the value of moving beyond one-dimensional, high-level income metrics towards more granular, integrated metrics that capture overlapping disadvantages (Nguyen et al., 2025^[117]).

Regular reporting and public access to data remain essential for accountability and course correction. Cities that publish annual dashboards or open data on poverty outcomes, service access and programme performance, including Vienna (Austria), Tallinn (Estonia) and Rotterdam (the Netherlands), enable stronger transparency and community scrutiny. In Rotterdam, the Inclusivity Index tracks income (absolute and inequality), education and welfare dependency, broken down by migration background, allowing targeted interventions for disadvantaged neighbourhoods (Discriminatiewijzer, 2025^[125]). At the same time, investing in user capacity through training, clear documentation and stakeholder engagement can ensure that data are effectively translated into policy action (Nguyen et al., 2025^[117]).

Cities can systematically integrate socioeconomic and environmental data to better understand and respond to vulnerabilities, particularly for people AROPE. A 2022 study found that only 18% of local climate plans in Europe identified low-income groups as particularly impacted by climate change, compared with nearly 50% for the elderly (Reckien et al., 2022^[126]). Systematic integration of socioeconomic and environmental indicators can help produce more effective mapping of who is most affected by climate impacts, such as urban heat island effects (EEA, 2024^[127]). In New York City (the United States), the interactive Heat Vulnerability Index (HVI) provides a concrete example. The HVI combines surface temperature/ urban heat islands with social vulnerability and adaptive-capacity indicators such as income, age, housing stock/ air-conditioning prevalence and green space. The public mapping highlights neighbourhoods at greater risk during heatwaves, so that the city can prioritise cooling efforts, outreach and energy assistance (City of New York, 2025^[128]). To embed social considerations into physical risk assessments, cities can use mapping to identify the areas most affected by specific climate risks combined with demographic data to understand where the greatest vulnerabilities for people AROPE are (Figueiredo, Honiden and Schumann, 2018^[129]). In a heatwave, for example, such mapping can enable targeting of early warnings or cooling interventions to support the most at-risk population in cities.

Leveraging sustainable and inclusive financing to reduce AROPE

Addressing poverty and social exclusion also requires the capacity to deploy financing strategically and over the long term. Cities play a frontline role in delivering anti-poverty interventions and supporting, maintaining and integrating infrastructure, but often operate within short-term, fragmented funding frameworks that limit their ability to plan and sustain long-term action (Schinnerl and Greiling, 2019^[4]). This was visible in services for people experiencing homelessness, where emergency accommodation funded during the COVID-19 pandemic underscored both the reactivity and fragility of current systems. Temporary measures such as large-scale use of hotel rooms and overflow shelters were instrumental in preventing illness and death, but few were backed by long-term financial mechanisms to transition beneficiaries into stable non-segregated accessible housing that would foster their long-term inclusion in the community (FEANTSA, 2022^[130]). Moving beyond this temporary funding logic is a central challenge for inclusive growth initiatives focused on fighting poverty in cities. Strategic financing involves aligning resources both from the service provision and infrastructure perspective with multi-year priorities, linking budgets across departments and policy domains, and leveraging both public and private sources to ensure continuity of services for people AROPE. Embedding long-term financial planning into municipal strategies enables cities to move beyond reactive responses, towards proactive investments in social infrastructure, human capital and inclusion-focused programmes that generate lasting and economic returns.

Since the mid-2010s, the financing landscape for inclusive urban development has evolved markedly in the EU. The combination of EU level support, such as Cohesion Policy funds (including the European Social Fund Plus (ESF+) and the European Regional Development Fund (ERDF)) (Box A A.8) and the Recovery and Resilience Facility has allowed cities to re-invest in key areas of social infrastructure and human capital. Yet the capacity of cities to access and manage these funds remains uneven. While Southern and Eastern European countries are generally more dependent on EU grants, Northern and Western European cities are more likely to combine EU support with own-source revenues and private co-investment (Schout, 2024^[131]). Even when capital is available, for example to build new childcare facilities, operational funding to sustain services in future may be missing. Moreover, while cities are constantly innovating when it comes to alternative financing mechanisms for inclusive growth such as land value capture or social impact bonds, many are still only in use by larger urban municipalities with deeper financial expertise (EEA, 2024^[127]). The *Territoires Zéro Chômeur de Longue Durée* (TZCLD) model in France illustrates an alternative approach to financing anti-poverty action. The programme redirects existing welfare expenditure by the French state and ESF+ amounting to about EUR 18 000 per year per person towards permanent local employment creation. The programme transforms spending that would

otherwise support inactivity into productive, inclusion-oriented investment. Evaluations of the programme show that by the end of 2024, it had enabled 3 300 people who were previously long-term unemployed to move into permanent jobs, with participating territories typically achieving notable reductions in long-term unemployment (Cour des Comptes, 2025^[132]). Evaluations also showed clear social benefits through improvements to subjective well-being and life satisfaction among participants, but economic profitability is limited (IPP, 2025^[133]).

A comparative study of homelessness funding across 14 EU Member States⁴ finds that systems to support people experiencing homelessness in Europe are highly decentralised, multi-layered and uneven. Municipalities typically hold primary responsibility for financing homelessness services within broader social service budgets with this localisation leading to significant variation in both service quality and coverage, depending on local priorities and fiscal capacity. Few countries have consistent multi-level partnerships that link national funding, regional organisation and local implementation. In practice, many homelessness services remain dependent on annual budget renewals, competitive contracting and fragmented funding streams, resulting in competition with other local social services such as elderly care. Moreover, funding systems can lag policy ambition. For instance, while most Member States endorsed Housing First approaches, financing remains disproportionately skewed towards emergency shelters and transitional accommodation (FEANTSA, 2022^[130]).

To improve stability, cities can adopt multi-year, outcome-oriented financial frameworks embedding inclusion into territorial strategies. In Lisbon (Portugal), the city's overarching mission is to provide an effective response to the problems of poverty and exclusion, with a focus on intergenerational dimensions (City of Lisbon, 2025^[134]). The city's Social Development Plan integrates poverty reduction, childcare, job inclusion, and homelessness prevention within a multi-annual framework. This plan also establishes new fundraising and resource-sharing mechanisms, for instance through *Conselho Local de Ação Social de Lisboa*, *CLAS-Lx* (Local Council for Social Action) and *Comissões Sociais de Freguesia*, *CSFs* (Parish Social Commissions), to pool financial, logistical, and human resources across programmes (City of Lisbon, 2024^[135]). Similarly, Ireland's Social Inclusion and Community Activation Programme (SICAP) works across 33 local communities, receiving an annual budget of EUR 58 million in 2024 (Pobal, 2024^[136]). The programme combines national and ESF+ funding to support long-term partnerships across 33 local communities targeting unemployment, food insecurity and marginalisation of migrant and Traveller communities (Pobal, 2024^[137]). Alongside this, the HP-Index allows for allocating resources according to spatial inequalities to target interventions on the most deprived areas.

Public procurement and contracting are increasingly used as tools to advance social inclusion objectives. In Amsterdam (the Netherlands), the Social Return Bureau requires contractors to create jobs or training opportunities for people distant from the labour market. As part of the city's Social Return policy, which aims to foster a more inclusive labour market, the city creates employment and training opportunities, ensuring work experience placements and internships for people facing barriers to employment (Eurocities, 2024^[138]). Similarly, in Stockholm (Sweden), the city's employment contracts include specific causes that protect vulnerable workers from "social dumping" – the practice of employers using cheaper labour – while still ensuring that more people have a chance to access the labour market (Eurocities, 2024^[138]). These models of social value procurement highlight how inclusive growth to support people AROPE can be supported by existing spending in cities, not just through new funding.

Community-led and participatory funding models can further complement institutional financing. In Cascais (Portugal), the AdaptCascais Fund supports locally proposed projects that build environmental and social resilience in low-income neighbourhoods, such as community-led green spaces or energy retrofits (EEA, 2024^[127]). These participatory mechanisms not only channel resources effectively but also strengthen local ownership and trust, helping to reach groups often excluded from traditional funding systems. Comparable initiatives such as France's TZCLD model show how co-designing financial governance, involving

residents, NGOs and municipal authorities, can help generate more inclusive and sustainable local economies.

Alongside these measures, enhanced funding systems that address intersectional disadvantage can help address root causes of poverty in cities. People facing multiple disadvantage, such as women, lone parents, persons with disabilities are often underrepresented in mainstream funding streams. To address this, cities such as Cologne (Germany) have introduced programmes such as the *NRWeltoffen* (Local Partnerships for an Open, Diverse and Cohesive Society), which incorporates intersectionality criteria into funding calls to prioritise programmes which address discrimination and exclusion. Local civil-society organisations can access grants for initiatives that aim to both address discrimination and encourage participation and empowerment of marginalised residents (Stadt Köln, 2025^[139]).

Linking investments across different policy domains supports more unified, strategic investments. In Barcelona (Spain), the city's *Pla de Barris* (Neighbourhood Plan) channels combined municipal, regional and EU funds into a comprehensive regeneration project to support the city's most deprived neighbourhoods. Funding allocations are guided by a multidimensional deprivation index developed by the city, which integrates income, education, health and housing indicators disaggregated by population characteristics. The approach allows targeted interventions across early-childhood education, youth employment, and social housing in areas where overlapping vulnerabilities are most acute. Evaluations found the interventions had a range of positive short-term health outcomes on women living in the intervention areas (Bartoll-Roca et al., 2024^[140]).

Strengthening the technical capacities of local actors to support people AROPE

Delivering action on poverty and social exclusion in cities requires adequately staffed, skilled and diverse local administrations. Sufficient staff capacity underpins effective action and is shaped by the combination of human resources, institution design, skills and partnerships, which together determine whether a city can design, deliver, adapt and scale interventions. Cities can strengthen support for people AROPE by investing in in-house capacity that reflects the populations they serve, creating dedicated teams, building technical and institutional expertise and cultivating strong local partners.

Ensuring that city workforces reflect the population they serve strengthens relevance, trust and effectiveness. In Łódź (Poland), staff working at the Municipal Social Welfare Centre include people with lived experience of living in poverty, providing valuable experience, improving trust and reducing blind spots when designing policies to support AROPE groups. To achieve diversity, cities employ methods including active recruitment pathways, targeted outreach in underrepresented communities, blind recruitment (removal of names or education institutions) or explicit representation targets and senior levels. Ghent's (Belgium) municipal human resources strategy (Framework for a Diverse and Inclusive HR Policy 2021-2025) combines 80 tailored recruitment measures, with the city recently reporting that it had recently achieved its target to have at least 30% of new employees with a migration background (Eurocities, 2024^[138]). The city of Oslo (Norway) has been embedding diversity and representation into its municipal leadership through strengthening recruitment efforts of leaders from minority backgrounds, raising awareness through anti-discrimination training for employees and establishing monitoring mechanisms to track progress (ECCAR, 2024^[141]).

Dedicated poverty and inclusion teams help build institutional memory and support cross-departmental problem solving. Evaluations of family-centred pilots to support families at risk of poverty, such as Malmö's (Sweden) *Hela Familjen* (The Whole Family), highlight the importance of low caseloads and sustained contact with AROPE groups. The project supported families' economic self-reliance through education and employment for children, young people and adults. Small client loads per case worker allowed time to build trust, address complex needs (including language and education barriers) and organise a multi-agency response – critical for moving families towards employment and stability (ESF, 2023^[142]). With a budget of

EUR 3 million, including EUR 1.45 million ESF funding, the service model demonstrated the value of investing in on-the-ground staff for long-term outcomes. Similarly, creating institutional structures where dedicated teams are made up of staff from across departments can help sustain integrated services for marginalised groups. This reduces the risk of measures remaining isolated in specific departments, improving referral pathways for complex households and supporting joint performance frameworks. Embedding intercultural assistants or community navigators, as in Łódź (Poland) and other cities supporting refugees, improves uptake and service continuity for migrant and refugee households (Eurocities, 2024^[138]).

Technical competence is strengthened through systematic training in case management, trauma-informed practices, cultural competence, benefits navigation, data use and co-production. Integrating training into career pathways can ensure front-line staff and middle managers are able to retain and apply learning. Capacity building combining on-the-job mentoring, peer exchange and short accredited courses can strengthen staff retention and quality. In Lisbon (Portugal), the BIP/ZIP (area-based programmes, supported by ERDF) explicitly included capacity exchange and training for community partners delivering the programmes (EU, 2025^[143]). This has led to improved organisational capacity over the years of the programme with increasingly formalised and autonomous civil society groups leading projects, and contributed to positive social outcomes from the project – with every euro of public money invested into the scheme estimated to bring another euro of external resources for larger scale projects (URBACT, 2021^[144]).

Strengthening the capacity of local actors including NGOs, social enterprises, community organisations and individual target groups can extend city reach, improve service continuity and enhance legitimacy among vulnerable groups. Volunteer organisations hold critical knowledge of local needs. For instance, partnerships with volunteer groups supporting people experiencing homelessness helped cities generate more accurate data on scale and needs, improving targeting and co-ordinated action (OECD, 2025^[120]). European networks such as FEANTSA offer cross-national learning, technical training and peer support that municipalities can draw on to professionalise frontline providers and spread effective service models. Investing in local partnerships can shift cities from fragmented projects to sustained service ecosystems. Leveraging external training, secondments, peer-exchanges and university-city partnerships can help evaluate practices, support adaptation of policies and scale up pilots. Learning infrastructure such as observatories tied to long-term programmes like *Territoires Zéro Chômeur de Longue Durée (TZCLD)* play a similar role in generating evidence, consolidating lessons and building municipal capacity for monitoring and evaluation. By strengthening both in-house skills and the capacities of community partners, cities can build a resilient delivery system that supports AROPE groups more effectively and at scale.

Monitoring, evaluating and modifying practices to improve outcomes for people AROPE

To assess progress and adapt interventions, credible and transparent monitoring and evaluation systems are essential. Yet, evaluation cultures in European cities remain uneven. Evaluations often struggle with weak baselines, inconsistent objectives, insufficient outcome data and limited disaggregation for AROPE groups. Many administrations can struggle to achieve depoliticised and transparent auditing culture, which affects credibility and use of evidence at local and national scales (Schout, 2024^[131]). Limited technical skills for monitoring and evaluation, particularly in smaller cities, means that cities struggle to move beyond measuring input and output indicators (e.g., number of people supported or hours of training delivered) to establish specific results. These limitations undermine the credibility of local action, making it harder for cities to demonstrate the value of innovative approaches or secure sustained political support.

Cities with strong evaluation architectures are better positioned to respond to changing needs. In Helsinki (Finland), all municipal social programmes are required to use explicit theories of change, paired with

annual outcome reviews that feed directly into budgetary programming. In 2022, Paris (France), launched its *Pacte parisien de lutte contre l'exclusion* (Strategy against exclusion) with four overarching commitments and 93 individual actions to be implemented by 2026. For the next phase of the strategy, the city is reviewing and streamlining its approach based on evaluation of impact and regular assessments of how conditions for people AROPE are improving. This approach reflects a growing body of academic evidence showing that complex social problems benefit from feedback loops and ongoing adjustment to reflect changing contexts, rather than static design (Ansell and Bartenberger, 2016^[145]).

Evidence of effectiveness can also support the scaling of successful interventions. The United Kingdom's Sure Start programme was designed to reduce child poverty and improve developmental outcomes in disadvantaged neighbourhoods. Findings showed significant long-term benefits – children living near a Sure Start centre experienced improved health outcomes, reduced hospitalisations and better cognitive and social development, leading to improved educational attainment (Cattan et al., 2025^[146]). After being largely dismantled after 2010, the United Kingdom government is now building on this body of evidence to relaunch and expand integrated early years and family support services across England, with up to 1 000 hubs, supporting 500 000 more children, planned by 2028 (UK Government, 2025^[147]). Similarly, the French *Territoires Zéro Chômeur de Longue Durée* (TZCLD) experiment is another clear example. Independent evaluations showed positive improvements on labour market inclusion, well-being and community development, formed part of the French government's decision to expand the programme from ten to more than sixty territories (IPP, 2025^[133]). It has also underpinned interest from across European countries to adopt the model, including in Italy, Belgium, the Netherlands and Austria (TZCLD, 2025^[148]).

Communicating and building durable political support for AROPE-focused action

Framing anti-poverty action within an inclusive growth narrative can help build broad political coalitions and reduce stigma. Cities that clearly communicate how investments in early childhood, neighbourhood regeneration or local employment generate measurable returns can build more durable cross-party support. The Spanish organisation *Fundación Secretariado Gitano* (FSG) runs the *Acceder* (meaning “to access”) employment insertion programme for the Roma community, recognised by the World Bank as a promising model of labour inclusion for other contexts in eastern Europe (FSG, 2014^[149]). By working with international organisations and the European Commission, the FSG effectively communicates the impact of their work to build political consensus and share good practices with other actors. This can help mitigate the risk of political or fiscal support, unravelling for interventions which have a strong base of evidence, as was the case with the United Kingdom's Sure Start programmes which experienced major funding retrenchment after 2010 (Cattan et al., 2025^[146]). Similarly, participatory budgeting initiatives, such as those implemented in Lisbon (Portugal), illustrate how local participation can strengthen political support for AROPE-focused policies (Box A A.9).

Finally, cross-sectoral coalitions tend to produce more stable and resilient strategies to support people AROPE. In South Rotterdam (the Netherlands), a major programme called Building the Right Investments for Delivering a Growing Economy, *BRIDGE*, supported by the ERDF under the Urban Innovative Actions initiative, has found that partnerships between municipal services, schools, training centres and employers in a disadvantaged district can align multiple stakeholders around measurable objectives (UIA, 2020^[150]). Mission-based partnerships can help communicate an initiative's objective, and support fiscal continuity and policy legitimacy, making redistributive investments more resilient to political change. In contrast, some cities that remain limited to local government actors alone or rely on political leadership rather than institutionalised stakeholder support can dissolve more quickly, impeding policy continuity.

4 Conclusions and considerations

Cities remain key engines of economic growth, yet they also concentrate some of the most acute risks of poverty and social exclusion. Over 37 million people living in EU cities are currently AROPE, representing an urgent challenge for cities. Enabling these residents to fully participate in and benefit from their local economies is central to achieving sustainable and inclusive growth. There is a need for a fundamental shift in how policies to support people AROPE in cities are designed and delivered. While many cities are developing innovative responses, often these can be fragmented, short-term or reactive. Moving forward, more effective approaches require greater anticipation of risks, interventions at critical transition moments and sustained support over time, as opposed to crisis-driven responses.

Policy priorities to support and reduce the risk of poverty and social exclusion in cities and foster inclusive growth

Moving beyond siloed approaches to co-ordinated action across policy pillars enables more efficient and effective support for people AROPE in cities. For example, integrating welfare payment identification in schools, housing development or community spaces to extend reach to the “hidden poor”, can improve accessibility and produce synergies across policy areas. These approaches depend on the ability of city and national government to overcome fragmentation in service delivery and adopt co-ordinated action to reduce administrative barriers and enable a holistic, person-centred approach. Building on these findings, the following policy-pillar recommendations emerge:

- **Education:** Prioritise early and continuous support to prevent the inheritance of poverty and social exclusion across generations. Expanding access to high-quality, inclusive early childhood education and care (ECEC) in disadvantaged areas is one of the most effective tools to reduce long-term poverty risks. This can be combined with measures to reduce educational segregation in cities between income groups and ensure continuity of support across key transition points, particularly from school into further education, training or employment.
- **Labour market:** Tackle both unemployment and in-work poverty to reduce AROPE. Employment alone does not guarantee an exit from poverty, so combining activation policies with measures to improve job quality and earnings while strengthening outreach to increase take-up of income support among eligible households. Integrated employment pathways are particularly important for groups facing multiple barriers, including migrants, lone parents, Roma communities and the long-term unemployed.
- **Housing and the built environment:** Address housing affordability and instability as core drivers of AROPE, recognising that high housing costs and insecurity are major contributors to urban poverty. To address this, cities should expand the supply of affordable and social housing and ensure access to adequate housing conditions. Approaches like Housing First can provide a stable foundation for addressing complex needs, while spatial planning tools can help identify and reduce concentrated disadvantage recognising that stable housing should be treated as a foundation for inclusion, with links to employment, health and social support.

- **Public services and infrastructure:** Improve access and take-up of services among people AROPE and reduce administrative complexity and fragmented provision through integrated, community-based service models including one-stop-shops and co-located services which improve continuity of support and respond to changing needs over time. Incorporating the lived experience of people AROPE into service delivery to help improve accessibility and ensure services are better aligned with needs. Affordable, accessible transport and digital inclusion are also critical to connect people to opportunities.
- **Fair climate action:** Ensure climate policies reduce rather than exacerbate AROPE. Low-income households are disproportionately affected by energy poverty and climate risks. Climate measures should include integrated financial support and tenant protections to avoid regressive impacts. Linking climate investments to inclusive employment opportunities can also support pathways out of poverty.

Enabling conditions to support sustained reductions in the risk of poverty and social exclusion in cities

Sustained reductions in AROPE depend on enabling conditions that support long-term, integrated and accountable action.

- **Shift towards long-term approaches which align policy frameworks and funding mechanisms** to support sustained interventions over time to prevent individuals from entering or remaining in poverty or social exclusion. Cities should embed AROPE reduction targets in long-term strategies, and align objectives, funding and accountability across levels of government.
- **Systematically involve participation of people experiencing poverty and social exclusion** in the design, delivery and evaluation of policies institutionalise participatory approaches to better reach AROPE populations. This can ensure the interventions are relevant, accessible and improve uptake of services, particularly for groups that are often underrepresented or face barriers to access.
- **Invest in data systems to capture both monetary and non-monetary dimensions of poverty and social exclusion** at the neighbourhood-level to identify populations most at risk of AROPE, target interventions effectively and monitor over time. Harmonising definitions and frameworks with national and supra-national levels can improve policy targeting, while disaggregating by key AROPE groups (e.g., children, migrants, people with disabilities) can better identify overlapping vulnerabilities, refine interventions and monitor outcomes.
- **Align financing with AROPE reduction targets and transition towards multi-year, outcome-oriented funding frameworks** moving from short-term, fragmented funding models towards frameworks that support continuity of support and integrated service delivery. Pooling resources across sectors and levels of government can enable more comprehensive and sustained support for people experiencing complex vulnerabilities.
- **Build institutional capacity to deliver people-centred support by strengthening technical, analytical and intercultural competences** to better understand and respond to the diverse AROPE population needs. Including by investing in cross-sectoral teams and frontline staff with lived experience of poverty and social exclusion who are equipped to deliver person-centred support.
- **Focus monitoring and evaluation systems focused on AROPE outcomes by moving beyond input and output indicators** to instead track changes in indicators like poverty risk, material deprivation and access to services. Embedding theories of change, longitudinal tracking and user feedback can improve understanding of what works for different AROPE populations and the use of evidence to adapt policies over time.
- **Address stigma around AROPE through evidence-based communication strategies** to raise awareness of the structural drivers of poverty and social exclusion, helping to shift narratives away

from individual blame and towards collective responsibility. This can support stronger public and political backing for inclusive growth policies.

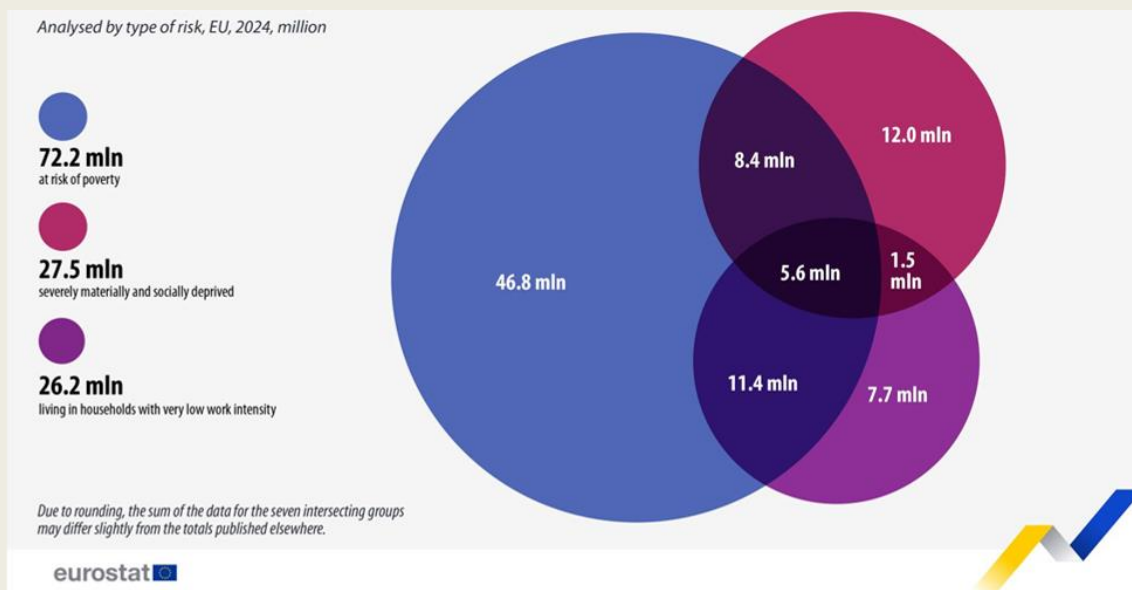
Annex A. Boxes

Box A A.1. Defining at risk of poverty or social exclusion (AROPE)

AROPE is defined by and corresponds to the sum of the following components:

- **Income poverty:** People, with an equivalised disposable income that is below the at-risk-of-poverty threshold set at 60% of the national median equivalised disposable income after social transfers;
- **Severe material and social deprivation:** People who cannot afford at least seven out of thirteen deprivation items (six related to the individual and seven related to the household) that most people consider as desirable or even necessary for an adequate quality of life;
- **Very low work intensity:** People (aged less than 65 years) living in a household with very low work intensity, i.e. those living in households where adults worked for 20% or less of their total combined work-time potential during the previous twelve months.

Figure A A.1. In 2024, 93 million people were at risk of poverty or social exclusion in the EU



Source: Eurostat (2025^[1]), *Poverty or social exclusion*, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_in_Europe_-_poverty_and_social_exclusion.

Box A A.2. Inclusionary zoning and social mix strategy in Paris (France)

Context

Paris is grappling with one of the highest levels of housing costs in Europe and spatial segregation between affluent central districts and lower-income suburban areas. To help counteract these dynamics, the city has pursued a multi-decade effort to expand social and affordable housing supply.

Policy instruments

- Inclusionary zoning: since 2000, the city requires developers to include 20-30% affordable units in large new projects or contribute the equivalent value through off-site provision.
- Public housing development: the city's public housing agencies (Paris Habitat, RIVP and ELOGIE-SIEMP) purchase land and existing buildings to convert into social units, often through land value capture.
- National law: the national SRU law (introduced 2000, updated 2013) mandates that municipalities in metropolitan areas reach at least 20-25% of housing as social with financial penalties for non-compliance.

Outcomes

- Between 2001 and 2023, the share of social housing rose from 13% to 25% of total housing stock in Paris.
- Over 80 000 new affordable units were built in this period.

Source: (City of Paris, 2024^[66]) (Freeman and Maaoui, 2022^[67]).

Box A A.3. Balancing universal and targeted approaches to essential services

Cities face persistent tensions in deciding whether to prioritise universal or targeted approaches when designing policies to reduce the share of people at risk of poverty or social exclusion (AROPe). Evidence does not point to a single “best” model. Universal service policies, such as affordable public transport, early childhood education or guaranteed minimum income schemes, can reduce stigma, enhance take-up and improve fairness by offering broad access. Yet the impact on those most in need may be diffuse without complementary measures focused on specific population groups, neighbourhoods or barriers.

Targeted approaches, including place-based social services, youth guarantee programmes or tailored employment pathways for long-term unemployed, can deliver deeper support for individuals and address complex needs more effectively. However, they also face challenges related to administrative burdens, lower uptake and political vulnerability over time. Academic studies also highlight potential trade-offs as targeted policies risk excluding individuals who do not meet narrowly defined thresholds (“eligibility cliffs”), while universal approaches may be less cost-effective, especially when resources are constrained.

In practice, many cities increasingly adopt “proportionate universalism”, a hybrid model providing universal access but adjusting intensity according to need. Examples include graded childcare subsidies (Oslo, Norway), universal but locally weighted social services funding formulas (Amsterdam,

the Netherlands) and health inequalities strategies providing citywide services combined with enhanced outreach in high-need areas (Glasgow, the United Kingdom). These mixed models align with evidence from public health and social policy research showing that sustained, population-level reductions in exclusion often require a blend of universal entitlements and targeted, high-intensity support for groups facing structural disadvantage.

Source: (Treanor et al., 2017^[151]); (Francis-Oliviero et al., 2020^[152]).

Box A A.4. Digitally inclusive neighbourhoods in Ghent (Belgium)

Ghent (Belgium) has developed one of Europe's most comprehensive citywide approaches to digital inclusion. Building on almost two decades of experience, the city co-ordinates a broad network of municipal services, NGOs, libraries, education providers, labour-market actors and social-care teams to ensure that digitalisation reduces, rather than reinforces, existing forms of exclusion. The city employs the “click-call-connect” principle: residents can access online services independently, receive direct support through hotlines, or obtain face-to-face help from trained digital helpers in public offices. In 2024, digital helpers in the city hall alone responded to over 6 600 requests for assistance, helping residents use administrative and income-support services.

Ghent's “Digicoaches” are social-economy workers embedded in frontline social services who provide tailored support to vulnerable groups. They assist with essential online tasks such as housing applications, childcare registrations, job search, access to affordable internet tariffs, pension services and the “My Ghent” portal. They also offer one-to-one coaching, small-group sessions and device access, working closely with other organisations already serving vulnerable communities. This approach ensures digital skills reach residents who may not seek help through traditional programmes.

The city further invests in “inclusion by design”, using a human-centred design toolbox to ensure that digital services are intuitive, accessible and developed with user input. Training-the-trainer programmes help social workers, job coaches and NGO staff support clients directly with the devices people already use at home. Ghent also plans to reinvest savings from digitalisation into qualitative services and training to sustain the ecosystem.

Reflecting on their experience, the city highlights several key lessons that other cities can learn from:

- Invest in digital inclusion to train the city's workforce and keep people connected to and active in society
- Reach people in places they already go to, and train and support people who work in these places
- Involve stakeholders and motivate individuals by focusing on relevant skills and tools
- Invest in inclusion by design

Source: (City of Ghent, 2025^[153]).

Box A A.5. Scotland's Just Transition Fund for the North East and Moray (the United Kingdom)

Context

Launched in 2022, the Just Transition Fund for the North East and Moray is a GBP 500 million, ten-year commitment to help regions dependent on high-carbon industries shift toward a net-zero economy. It supports a range of initiatives including skills and workforce development to community-led innovation and low-carbon technologies to ensure the benefits of the green transition are broadly shared.

Early results (2022-2024)

- GBP 43 million distributed across 24 projects, ranging from industrial diversification to nature-based solutions
- Over 110 new jobs created and 120 safeguarded
- 750 people access new training and reskilling opportunities
- GBP 30 million in private investment and GBP 4.7 million in public and third-sector confounding leveraged
- Broad community participation, including 19 000 residents voting in participatory budgeting exercises

Lesson learnt from the initial implementation of the fund

- Workforce pathways: Create strong links between retraining programmes and green job placements, with incentives for employers to hire and retain transitioning or low-skilled workers
- Funding: Extend application windows, improve transparency in funding decisions, and introduce multi-year cycles to allow projects to plan, partner, and deliver effectively
- Administration: Ensure fast grant disbursement and clearer reporting expectations, especially for smaller organisations reliant on the funding
- Local alignment: Integrate funding priorities with regional development strategies and city plans to maximise social and economic impact
- Long-term skills development: Secure sustained funding for inclusive training in renewable energy, circular economy, and sustainability sectors to ensure disadvantaged groups benefit from new opportunities
- Community participation: Embed structured engagement with grassroots and social enterprises to ensure that transition policies respond to local needs and strengthen inclusive economic growth

Source: (Scottish Government, 2025^[106]).

Box A A.6. Ireland's Social Inclusion and Community Activation Programme (SICAP): an example of effective multi-level governance

Ireland's SICAP illustrates how strong action across different levels of government can combine national strategic direction with flexible, place-based delivery to support people most at risk of poverty and social exclusion. Operating across all local authority areas in the country through 51 sub-regional "Lots", SICAP aligns national objectives and ESF+ funding with local delivery led by Local Development Companies (LDCs) under the strategic oversight of Local Community Development Committees (LCDCs).

The programme's governance model enables shared responsibility across levels of government, while preserving local discretion over delivery. During the 2018-2022 programming period, which had a total budget of EUR 196 million, this flexibility proved critical in responding to shocks such as the COVID-19 pandemic and the sudden arrival of Ukrainian refugees. Local areas were able to rapidly reallocate resources and adapt support to emerging needs, supported by trust-based partnerships between national authorities LDCs and LCDCs.

An evaluation of the programme highlights how this multi-level framework enabled the development of holistic, person-centred support, including one-to-one mentoring, tailored activation pathways and stronger engagement with employers. These integrated approaches helped improve engagement, retention and labour-market outcomes for individuals furthest from the labour market, demonstrating how working across different levels of government can strengthen both responsiveness and effectiveness of anti-poverty action.

Source: (Pobal, 2024^[137]).

Box A A.7. The Pobal HP deprivation indices (HP Index), Ireland

The Pobal HP Index is a composite measure of relative affluence and deprivation across Ireland, covering both urban and rural contexts. It is constructed from three dimensions: demographic profile, social class composition and labour market situation.

- **Demographic profile** includes indicators such as population change, the proportion aged under 15 or over 64, education attainment (primary only/ tertiary) and mean persons per room.
- **Social class composition** involves indicators such as households headed by professionals/ managerial employees, semi-skilled/ unskilled manual workers and educational attainment levels.
- **Labour market situation** covers indicators such as unemployment by gender, and households headed by lone parents.

How it works

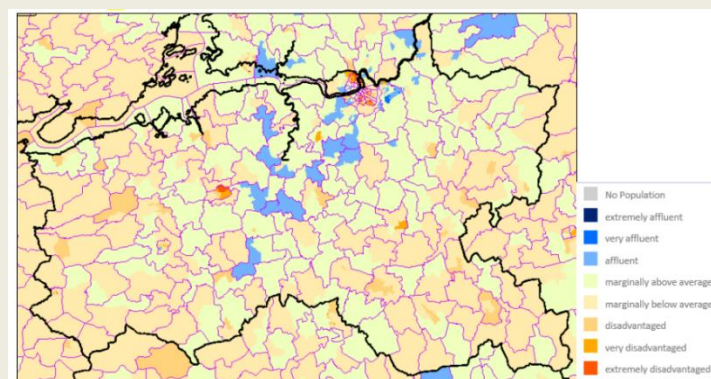
Scores are calculated for small-areas (typically with 50-200 households) and electoral divisions, enabling fine-grained spatial profiling of disadvantage. The dataset is publicly available and interactive via the open data portal, enabling cities and local actors to map deprivation and target interventions.

By providing neighbourhood-level insights intersecting dimensions of disadvantage, the HP Index enables city governments and social policy actors to pinpoint spatial clusters of vulnerability. This

supports more equitable allocation of resources. For instance, funding programmes such as Social Inclusion and Community Activation Programme (SICAP) and place-based community development initiatives prioritise areas according to the HP Index. Successive index editions (2016, 2022) allow tracking of vulnerable neighbourhoods and identification of areas at risk of being left behind for tailored interventions. The index is based on Census data and therefore limited to the frequency and granularity of Census releases, meaning that real-time changes are not captured. While it captures many dimensions of exclusion, some important dimensions are not covered, such as informal employment and disability, meaning local data collection is needed for a fuller picture.

Figure A A.2. The Pobal HP Index is used in Limerick, Ireland to direct support to more disadvantaged areas

Map of Pobal HP Deprivation Indices for County Limerick by small area (2016)



Source: (Pobal, 2023^[154]) (CYPSC, 2020^[124]).

Box A A.8. EU cohesion policy as a driver of inclusive growth to support people AROPE

The European Social Fund Plus (ESF+) is the EU's main instrument for supporting employment, social inclusion, as well as education and skills. Over the 2021-2027 period, it will provide around EUR 99.3 billion in funding, with a strong emphasis placed on tackling child poverty, supporting vulnerable groups and reinforcing social innovation. It seeks to promote a fairer, more equitable, and socially inclusive life for those facing social exclusion and poverty. The ESF+ is an extension of the last six decades of work of the European Social Fund with the goal of creating a fair and socially inclusive society by empowering Member States to create and protect employment opportunities and capacity, address poverty, provide opportunities for workers to develop durable green and digital skills, and the requirement to invest in young people and address child poverty.

At a national level, the programme requires Member States to address specific challenges in the recommendations of their national European Semester Reports through an appropriate allocation of ESF+ share (e.g. thematic concentrations reflected by a minimum certain percent of funding to be allocated for social inclusion, for addressing youth unemployment, or material deprivation for instance). Additionally, Member States must support capacity building of their social partners and civil society organisations through allocation of ESF+. Cities play an increasingly central role in delivering ESF+

programmes either as intermediate bodies managing sub-grants or as project partners implementing active inclusion and training measures.

The European Regional Development Fund (ERDF) also plays a key role in tackling poverty and social exclusion, including at urban level. It supports infrastructure, equipment, and place-based investments needed for fostering inclusion and equal access to high-quality and inclusive services, with a particular focus on addressing socioeconomic and territorial disparities. Member States, regions and local authorities are encouraged to seek synergies between ERDF and ESF+ support to better address the identified challenges, including in the context of supporting people AROPE.

Under Policy Objective 4 “a more social and inclusive Europe, around EUR 22 billion under ERDF is planned for investments aiming to enhance equal access to mainstream high-quality services in labour market, education, health, sustainable and affordable housing, culture and the socioeconomic inclusion of vulnerable and disadvantaged groups like Roma, migrants, and people with disabilities. Through Policy Objective 5, ERDF addresses poverty through integrated urban development strategies that tackle poverty and exclusion in urban, rural, and coastal areas, reducing territorial disparities. These initiatives promote social inclusion, economic growth and reduce territorial disparities, while energy efficiency projects further alleviate energy poverty, contributing extensively to the UN's Sustainable Development Goal 1: No Poverty.

Source: (Europa, 2021^[155]).

Box A A.9. Participatory budgeting in Lisbon (Portugal) as a tool to build political support for AROPE policies

Participatory budgeting in Lisbon has been used to strengthen political support for anti-poverty measures by giving marginalised groups visible influence over spending decisions. The city allocates up to 5% of its municipal investment budget through participatory budgeting, one of the highest shares in Europe. Evaluations found increased citizen trust and improved matches between investments and needs in disadvantaged neighbourhoods. Evaluations over a 10-year period found that parishes with participatory budgeting projects displayed greater satisfaction with local services and improved responsiveness to citizen-reported problems, reinforcing support for municipal action.

By enabling residents, particularly those from high-poverty areas, to participate in decision making, participatory budgeting communicates fairness, fosters supportive coalitions and reinforces political legitimacy for redistributive investments. The effectiveness of the approach depends on programme design: when budgets are small or focus on minor projects, participation can skew towards more affluent residents, limiting the voice of AROPE groups and weakening support for pro-equity measures.

Source: (Falanga and Ferrão, 2021^[156]), (Silva, 2024^[157]).

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Notes

¹ Rates are above the EU average and have risen since 2020 in countries including Bulgaria (35.1%), Spain (34.6%), and France (26.2%). By contrast, Slovenia (11.8%), Cyprus (14.8%) and the Netherlands (15.4%) combine low and declining child poverty rates (Eurostat, 2025^[158]).

² For the purpose of this report, cities are defined according to the UN-Eurostat-OECD DEGURBA definition of cities as a continuous cluster of 1km² grid cells with a population density of at least 1 500 inhabitants per km², and a total population of at least 50 000 inhabitants.

³ Total housing costs (after housing allowances) exceeding 40% of disposable income.

⁴ Austria, Czechia, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Poland, Slovak Republic, Slovenia and Sweden.

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