socialplatform

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Economic recovery and social policies: the role of minimum income schemes

Put in place adequate minimum income schemes as the basis for high level social protection across the life span and as economic stabilisers

NOTICE: This contribution is based on the work of Social Platform members and EAPN in particular[1], as well as on the work of the European Minimum Income Network (EMIN).[2]

Key message

We call on all member states to put in place adequate minimum income schemes that are accessible for all that need them.[3] The right to an adequate minimum income should be recognised as a fundamental right and should enable people to live a life in dignity, support their full participation in society and ensure their independence across the life cycle. To achieve a level playing field across Europe, an EU framework directive on Adequate Minimum Income Schemes should be adopted that establishes common principles, definitions of adequacy, and methods.

Setting the scene: ensure every person's fundamental right to live a life in dignity

Since 2009, the number of people living in poverty and social exclusion has increased by 10 million in the EU, amounting now to over 124 million, or one in four people. This data shows how at least a quarter of the population cannot enjoy their fundamental right to live a life in dignity. The increasing numbers also reflect how current policies are failing to deliver on the Europe 2020 target of reducing poverty by 20 million by 2020.

This will not change if the focus stays on economic growth without ensuring it is sustainable as well as inclusive. The EU and member states cannot continue to pursue financial and economic priorities, without taking proper account of the social implications of current macroeconomic policies and the impact on the wellbeing of people. This is leading to a dismantling of agreed social rights[4], undermining well developed social models in the EU, and is pushing people further away from the European project.

To redress the situation, it is essential to implement a balanced socio-economic policy mix with a rights based approach across all policies to safeguard and promote fundamental rights, supported by social as well as economic and financial policies.

One of the crucial things to be done urgently is the development of European Social Standards in view of organising upward social convergence and social progress. These standards should be taken up in binding European legislation and member states that do not live up to these should be held accountable.

Ensuring adequate minimum income schemes in all member states is a corner stone for such standards. They form the basis on which high quality social protection schemes should be built and should ensure a positive hierarchy with other social benefits and minimum wages[5].

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[1] See EAPN campaign on Minimum Income

[2] The EMIN project was initiated by the European Parliament, administered by the European Commission and is managed by the European Anti-Poverty Network (EAPN) in collaboration with a range of diverse partners, including AGE Platform Europe and FEANTSA. The project aims to build consensus for the progressive realisation of adequate minimum income schemes through actions in Member States and at EU level.

[3] ***Minimum income schemes*** are income support schemes which provide a safety net for all those who cannot work or access a decent job and are not eligible for social security payments or whose entitlements have expired.

[4] For example: art.9 TFEU; art. 1 EU Charter of Fundamental Rights, on the right to a dignified life.

[5] This would also assist to address the scourge of growing levels of working poor in the EU.

They need to be complemented with adequate pension rights for older people and income support for young people, children and their families.[6]

Contrary to what is often thought, well-designed, adequate and widely available income support systems do not prevent or discourage a return to the labour market. This was explicitly recognised by the Commission in its report on *Employment and Social Developments in Europe 2013,* stating even that *"all other things being equal, people receiving unemployment benefits have greater chances to take-up a job than non-recipients".*[7]

Moreover, it is crucial to guarantee adequate income also for people in vulnerable situations for whom a return to work is not possible or no longer an option (e.g. people with a disability, long-term unemployed older workers). The Commission's Recommendation on Active Inclusion rightly recognised that apart from facilitating access to quality employment for those who can work, active inclusion policies should also *"provide resources which are sufficient to live in dignity, together with support for social participation, for those who cannot"*.[8]

Ensuring adequate minimum income protection as a tool to fight poverty is also economically sound. Evidence shows that member states with good social welfare policies are among the most competitive and prosperous.[9] At the last informal ECOFIN meeting, the EU finance ministers discussed *Europe's social problem and its implications for economic growth*. The Policy Brief prepared for this meeting already concluded how addressing poverty *"should remain a high priority not only for its own sake, but also in view of the sustainability of public debt and the growth rates of our economy"*.[10]

In most member states, there is little evidence of progress being made to ensure adequate resources. Only a few countries have made significant efforts to improve their benefits systems and ensure the adequacy of benefits since the adoption of the Active Inclusion Recommendation in 2008. In many countries, experts highlight that there has been increased punitive conditionality and a failure to up-grade social protection payments sufficiently to ensure an adequate minimum income. However, at the same time many stress that social protection payments continue to play a key role in reducing the severity of poverty.[11]

How to establish adequate minimum income schemes

Adequate minimum income is an income that is indispensable to live a life in dignity and to fully participate in society, across the life span. It has to be above bare minimum and needs to allow people, including children in poor households, not just to survive but to thrive.

When establishing adequate minimum income schemes, at least the following key principles have to be incorporated:

- The agreed EU at risk of poverty indicator (60% of the median income) is an important benchmark for adequate minimum income schemes in most EU member states. Reference budgets could be used to test the robustness of the level of minimum income and of the 60% threshold. They can help set the level of minimum income necessary to meet people's fundamental needs, including also non-monetary aspects, such as access to education and lifelong learning, decent housing, quality healthcare services, leisure and social activities or civic participation.
- While it is difficult to go from no or poor quality minimum income schemes to high level schemes, member states should work towards the progressive realisation of adequate minimum income schemes addressing the issues of adequacy, coverage and take-up of the schemes.
- Adequate minimum income schemes must be part of a comprehensive Active Inclusion Strategy. This requires combining the equally important strands of adequate minimum income schemes, inclusive labour markets and access to high-quality social services. A

[6] In line with ILO Recommendation No. 202 on "Social Protection Floors" of June 14, 2012.
[7] EC, Employment and Social Developments in Europe 2013, January 2014
[8] EC Recommendation on the active inclusion of people excluded from the labour market, October 3, 2008.
[9] Commissioner Andor, Speech at the EC Seminar on Improving Minimum Income Support, April 2014.
[10] Bruegel Policy Brief, Europe's social problem and its implications for economic growth, April 2014 .
[11] Network of Independent Experts on Social Inclusion, Synthesis report assessing the implementation of the Active Inclusion Recommendation, January 2013; EMIN, Analysis of minimum income schemes in five selected countries, November 2013.

proper Active Inclusion approach goes beyond activation and the "one-stop-shop" idea, and does not include negative conditionality.

- For people of non-working age, such as children or older people, adequate support schemes need to be introduced through relevant social inclusion strategies.

What do adequate minimum income schemes bring to society?

Adequate minimum income schemes benefit social as well as economic goals:

- They ensure that people who receive them can remain active in society; they help them reconnect to the world of work and allow them to live in dignity.
- They are a very small percentage of the government's social spending and represent a huge return on investment while the cost of non-investment has enormous immediate impacts for the individuals concerned and long term costs for society.
- They are good for the whole of society as they are indispensable for more equal societies and more equal societies perform better on many social and economic indicators.
- As the base for high-level social protection systems, they act as "economic stabilisers". This was demonstrated by countries with high-level social protection systems being best able to resist the negative impacts of the crisis.[12]
- They are effective economic stimulus packages, as the money is used to address pressing needs and immediately re-enters the real economy, often reaching disadvantaged areas experiencing market failures.
- They can play a positive role in reversing the destructive trend of rising numbers of working poor in Europe when they ensure a positive hierarchy with other social benefits and minimum wages.

The danger of inadequate minimum income schemes is that they trap people in poverty and lead to greater social, health and economic costs. Even if they may help in addressing very basic needs, they can contribute to locking people in a cycle of dependency without adequate means to access opportunities or to fully participate in society. Research has shown that shame accompanies poverty and this has a disabling effect on people's capacity to seek work and progress their lives. Inadequate minimum income is therefore perverse as a work incentive and adds to social exclusion.

Emerging consensus at European level

Already in 1992, the Council adopted a recommendation on common criteria concerning sufficient resources and social assistance in social protection systems, acknowledging the right of every person to such support.[13] Unfortunately, the implementation of this recommendation has been very limited up till now.

The consensus to make progress with regards to minimum income schemes is however emerging more and more:

- **The European Commission**, in the Social Investment Package published last year, voiced its ambition to give guidance to member states on among others *"upgrade active inclusion strategies, including through establishing reference budgets to help designing efficient and adequate income support"*. The Recommendation on Active Inclusion was adopted by the Commission in 2008, and it was endorsed by the Council. Up till now the implementation of this recommendation, and in particular the adequate income support strand, has also been limited.[14]

[12] SPC, Social Europe: Many ways, one objective - Annual Report on the social situation in the EU (2013), February 2014.
[13] Council Recommendation 92/441/EEC on common criteria: basic right of a person to sufficient resources and social assistance, June 24, 1992.
[14] For example in the 2013 Joint Employment Report EC and EMCO are demonstrating how, only seven member states made any progress regarding the implementation of active inclusion strategies last year.

- **The European Parliament** adopted a resolution in 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe, calling on member states to establish a threshold for minimum income, based on relevant indicators. According to the Parliament, adequate minimum income schemes must set minimum incomes at a level equivalent to at least 60% of average income in the member state concerned.[15]

  In 2011, the Commission was called upon to launch a *"consultation on the possibility of a legislative initiative concerning a sensible minimum income which will allow economic growth, prevent poverty and serve as a basis for people to live in dignity"*. The Parliament asked the EC to help member states share best practice in relation to minimum income levels, and encourages member states to develop minimum income schemes based on at least 60% of the median income in each member state.[16]

- **The Committee of the Regions** adopted an Opinion in 2011 supporting a Framework Directive on Minimum Income.[17]
- **The EESC** issued an opinion in 2013 addressing the urgent need to guarantee an adequate minimum income in the European Union under a framework directive and calls on the Commission to undertake concerted action and to examine funding possibilities for a European minimum income.[18]
- **The ETUC** is supporting the introduction of a social minimum income in every member state on the basis of common European principles and calls on the Commission to take the appropriate initiative.[19]

The way forward: an EU framework on adequate minimum income

As Social Platform, we consider that a key role of the EU in ensuring adequate minimum income protection in member states lies in the development of an EU framework directive. As shown before, it is possible to have such a directive within the context of the current EU Treaties.[20]

Next to having a framework directive, the follow up of establishing adequate minimum income schemes should be integrated into key EU processes.

A. Build towards an EU directive on adequate minimum income based on:

- Common definitions
- Common methodologies for defining adequacy (e.g. 60% at risk of poverty indicator, material deprivation, reference budgets)
- Common approaches on coverage and efforts to ensure take-up
- Common information requirements
- Proactive granting of benefits
- Gender mainstreaming, gender impact assessment and gender budgeting;
- Addressing the needs of particular groups
- Systematic uprating mechanisms
- Ensuring monitoring and evaluation
- Ensuring independent bodies and procedures to adjudicate in cases of dispute between the administration and recipients
- An integrated active inclusion approach
- Engagement of stakeholders

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[15] EP Resolution on the role of minimum income in combating poverty and promoting an inclusive society in Europe, July 2010.
[16] EP Resolution on the European Platform against poverty and social exclusion, November 2011.
[17] CoR, Opinion on the European Platform Against Poverty and Social Exclusion, April 2011.
[18] EESC Opinion on European minimum income and poverty indicators, December 2013; previously in 2010, the EESC adopted already an opinion on the European Platform Against Poverty and Social Exclusion, supporting the EP position.
[19] ETUC position on the EC Communication on Strengthening the social dimension of the EMU, December 2013.
[20] See A. Van Lancker, EAPN Working Paper on a Framework Directive on adequate minimum income, September 2010.

WHY

- As neither the 1992 Recommendation nor the Active Inclusion Recommendation has delivered after all these years, a new start and stronger base for action and cooperation is needed.
- The directive is compliant and would give meaning to the Horizontal Social Clause and to the article on combating social exclusion of the Fundamental Rights Charter.
- It is no longer viable to develop national social policy without considering the European perspective. Common EU level efforts are needed to achieve high level social standards.
- EU citizens are strongly attached to the European Social Model. However, convergence of costs for living in the member states is growing, without a similar convergence of the levels of social benefits and wages. This is leading to a highly divided Europe with a loss of solidarity and growing distrust of our democratic institutions.[21] The directive would show EU leaders' commitment to a Union of social values that is not dominated by market interests, and would help restore confidence in our democratic systems.

B. Integrate follow up on the implementation of adequate minimum income schemes at EU level:

- **Europe 2020 Strategy:**
  - Adequate minimum income schemes will contribute to the delivery of the Europe 2020 poverty reduction target. In 2015 there will be a re-launch of the Strategy, creating the opportunity to look again at the poverty headline target and rethink its objectives and tools. In this context, the Commission already stated that according to them, minimum income schemes form an important element to achieving this target[22].
  - The implementation of such schemes should be a priority of the Annual Growth Survey and this should be followed up by the National Reform Programmes and Country Specific Recommendations.
  - Addressing tax justice and redistribution issues through Europe 2020 will help to ensure the financial sustainability of adequate minimum income schemes.

- **Research:**
  - EU level research has to look into the costs of not investing in adequate minimum income schemes and non-take-up.

- **Structural Funds:**
  - 20% of the European Social Fund (ESF) resources are ring fenced for social inclusion and the documentation and sharing of good practices. Despite this ring fencing, the research of EMIN shows that the ESF does not yet play a substantial role in the fight against poverty and social exclusion in at least five member states.

- **Other EU social processes and policies:**
  - The creation of adequate minimum income schemes should be integrated in the follow up of: the Social Investment Package; the Recommendations on Active Inclusion and Child Poverty; and the Agenda for Adequate, Safe and Sustainable Pensions in support of member states' initiatives, in particular on gender pension gaps[23].
  - The Social OMC should assess if and how member states have put in place adequate schemes. The existence and adequacy of such schemes should be reported on in the National Social Reports and in the reports of the European Social Policy Network.

Conclusion: A story that millions of Europeans would want to hear

Adequate minimum income meets fundamental principles of fairness. Millions of Europeans have a strong attachment to the European Social Model. They want to know if EU leaders will commit to making adequate minimum income schemes a reality in all member states or if they are trying to block this. They are calling for an explanation of the approaches taken.

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[21] See for example the Report of the 12th European Meeting of People Experiencing Poverty, June 2013.
[22] Michel Servoz, Director General of DG Employment and Social Affairs speaking at the EC Seminar on Improving Minimum Income Support, April 3, 2014.
[23] EC White paper: An Agenda for Adequate, Safe and Sustainable Pensions, February 2012.