



Setting the scene

**EMIN Context Report**

**Developments in relation to**

**Minimum Income Schemes**

**in Europe**

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October 2017**

## Context report EMIN2

### What is EMIN?

The European Minimum Income Network (EMIN) is an informal Network of organisations and individuals committed to achieve the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes. The organisations involved include the relevant public authorities, service providers, social partners, academics, policy makers at different levels, NGOs, and fosters the involvement of people who benefit or could benefit from minimum income support.

EMIN is organised at EU and national levels, in all the Member States of the European Union and also in Iceland, Norway, Macedonia (FYROM) and Serbia.

EMIN is coordinated by the European Anti-Poverty Network (EAPN). More information on EMIN can be found at [www.emin-eu.net](http://www.emin-eu.net)

### What is this Context Report?

This EU context report builds on the data from the national context reports 2017, as well as on recent data sources at EU level. The 2017 Context Reports gives an update on developments in relation to Minimum Income Schemes in European countries since the publication of the Country Reports 2014. In 2014 individual Country Reports were produced under the EMIN project which outlined the state of development of Minimum Income Schemes in the country concerned. These reports also set out a road map for the progressive realisation of adequate Minimum Income Schemes in that country. These Country Reports 2014 and Context Reports 2017 can be found on [www.emin-net.eu](http://www.emin-net.eu) (EMIN Publications).

**Acknowledgements:** special thanks to all rapporteurs of the EMIN national context reports, and to the EMIN steering committee members and the national coordinators for their comments and suggestions

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For the period 2017-2018 EMIN receives financial support from the European Union Programme for Employment and Social Innovation “EaSI” (2014-2020) to develop its work in the EU Member States and at EU level. For further information please consult: <http://ec.europa.eu/social/easi>

The information contained in this report does not necessarily reflect the official position of the European Commission.

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### Current political and social context

#### Some thoughts on the political environment for social action...

With the crisis, the last decade has shown that social convergence in Europe has stopped, especially between the central and peripheral countries of the Euro-area. This is raising difficult questions about fairness and social justice within the European single market and is challenging solidarity between Member States and even the fundamentals of the European project.

The founding fathers of the European project were convinced that economic integration would contribute to the development of prosperous national welfare states. Social policy choices in their view had to be left to the Member States at national level. But in recent years, many academics, together with trade unionists and NGOs expressed their concerns about the clashes between economic and monetary integration at EU level and social subsidiarity at the level of the Member States.

In his book 'Collision road' Maurizio Ferrera<sup>1</sup> describes four conflicts in Europe, between European integration and national welfare states, where initially these concepts were intertwined. First, there is the old conflict between left and right on the mission of the EU's supra-national dimension: market efficiency and austerity on one side, versus an EU based on solidarity, social protection and inclusive growth on the other. Second, there also is a vertical conflict: nationalist movements strongly defend sovereignty: national states should be in charge of welfare state arrangements. They conflict with views that attribute more supranational integration at EU level. A third conflict exists between Eastern and Western Europe, specifically on free movement and migration of EU citizens and on opening national welfare systems to citizens from Eastern EU. The fourth conflict is between the North and the South: politicians from countries with strong economies argue in favor of fiscal and financial austerity. Their response to the crisis in the poorer countries in southern Europe is that these should "make homework" to cope with the crisis. They are opposed to help from the EU, especially transnational fiscal transfers are taboo. This vision clashes with those who stress the need for cross-national solidarity to deal with externalities in demand.

In a survey in 6 EU countries on freedom of movement, solidarity and the mission of the European Union conducted in the REScUE project<sup>2</sup>, the researchers discovered that citizens in the stronger countries are in favor of solidarity amongst countries, in contrast to

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<sup>1</sup> Ferrera Maurizio, Rotta di collisione, Euro contro welfare? Editori Laterza, Roma – Bari, 2016

<sup>2</sup> Ferrera, M., **Can Economic and Social Europe Be Reconciled? Citizen Views on Integration and Solidarity, European Research Council - Advanced Grant 340534**

Between September and November 2016 the REScUE project conducted a cross-country public opinion survey in France, Germany, Italy, Poland, Spain, Sweden and the United Kingdom. See: <http://www.resceu.eu/events-news/news/can-economic-and-social-europe-be-reconciled-citizens%E2%80%99-view-on-integration-and-solidarity.html>

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dominant voices in their national press. They find that the EU should be market-correcting and no longer obsessed with market integration. The majority of Europeans find that all legal residents or all EU citizens should have access to their national welfare systems. A majority of Europeans are in favor of EU guarantees and resources to leave no citizen in poverty, of common EU unemployment scheme, and of pan-EU solidarity. Even in the UK, that is strongly influenced by a 'welfare tourism' narrative and the outcome of the Brexit referendum, more than 40% of respondents is in favor of granting unconditional access to domestic social protection to foreigners.

Ferrera concludes that features of de-conciliation and difficulties EU institutions are merely due to politics and political leaders' choices. There is a minority of around 15-30% against EU, but the silent majority is in favor of reconciling EU integration and national welfare states. For Ferrera, the solution is the creation of a European Social Union, which means that the EU should protect national welfare states including through transnational solidarity and fiscal transfers for EU integration.

At the start of this EMIN project, the political environment in the EU is strongly influenced by the migration crisis, the negotiations after the Brexit referendum and by the rise in nationalist and populist movements that emerge stronger in certain countries at the occasion of national elections. Against this background, a sense of urgency appears to give the European project a stronger social dimension and to renew the focus on social cohesion and inclusion.

The risk that excessive inequalities among EU countries pose to the solidity of the European project was pointed out in the Five Presidents' report in 2015<sup>3</sup>, which concluded that the EMU should be reinforced to safeguard the sustainability of the EU. The report states that a greater focus is needed on employment and social performances and that Europe's ambition should be to earn a 'social triple A'. The discussion on the social dimension of Europe is also part of the broader discussion on the future of the European Union<sup>4</sup>. In his state-of-the-Union in September 2015, President Juncker announced the launch of a European Pillar of Social Rights<sup>5</sup>, that builds on the changing realities of European societies and that can serve as a compass for renewed convergence within the European Union. A reflection paper on the social dimension of Europe was published alongside the European Pillar of Social Rights<sup>6</sup>. In November 2017, a Social Summit for Fair jobs and Growth will be organized in Gothenburg, Sweden.

### **... and some of the main social developments at the start of EMIN2**

As the economy in many Member States is recovering since the end of the crisis, employment has increased, although in the Euro area the employment rate still is below 2008 levels. Unemployment is slowly decreasing, but there still are more than 20 million

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<sup>3</sup> "Completing Europe's Economic and Monetary Union" report by Jean-Claude Juncker, in cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schultz, June 2015

<sup>4</sup> Commission White Paper on the Future of Europe, COM(2017) 2025, 1 March 2017

<sup>5</sup> Communication from the Commission Establishing a European Pillar of Social Rights, COM(2017)250 final, 26 April 2017

<sup>6</sup> COM (2017) 206 final

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people without work, half of them for over one year. Unemployment rates vary significantly between countries, ranging from 4% in the Czech Republic to 23.4% in Greece. Young people, low skilled and migrants were hardest hit by the crisis and still are at disadvantage in the labour market.

Low employment rates are a key factor in rising inequality and poverty, but being in work is not always enough to keep people out of poverty. Indeed, in-work poverty has increased in all but five countries, pointing to problems with the quality of employment. The quality of the job in terms of work intensity (part-time or intermittent rather than full-time and permanent) and the wage level determine whether people escape poverty when they find a job. Unfortunately, during the post-crisis years (2008-2013) only about one in eight unemployed people managed to find permanent full-time employment within three years. Overall in the EU, one in ten workers are at risk of poverty<sup>7</sup>.

Since the crisis, there has been a considerable increase in the levels of people experiencing poverty or social exclusion, that reached a peak in 2012 with 123 million people (24.7% of the population) being at-risk-of-poverty and social exclusion, an increase by 6.4 million compared to 2008. The aftermath of the crisis still shows a stark increase in inequalities, but the AROPE rate has started to decline. According to the latest statistics available at EU level from 2015, 118.8 million people (23.7%) were at risk of poverty or social exclusion (AROPE). Compared to the 2008 reference date, this still represents an increase by 1.2 million people, instead of a reduction by 20 million, as set by the Europe 2020 poverty target. In 2015 most of the countries found their situation worsened in comparison to the pre-crisis period (SE, NL, DK, LU, MT, IE, ES, IT, CY, LT and EL).

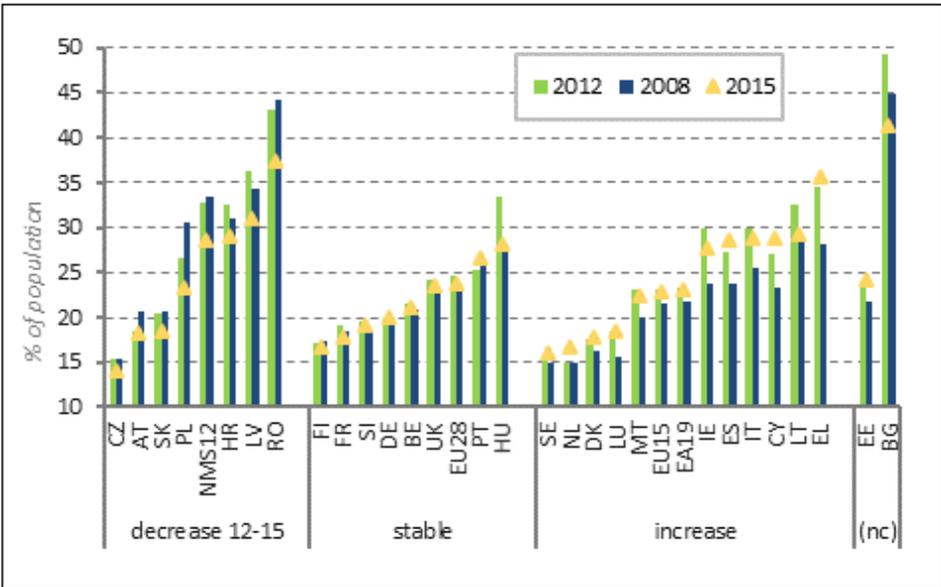


Figure 1: At risk of poverty and social exclusion rates: 2008, 2012 and 2015

<sup>7</sup> Economic and Social Developments in Europe 2016

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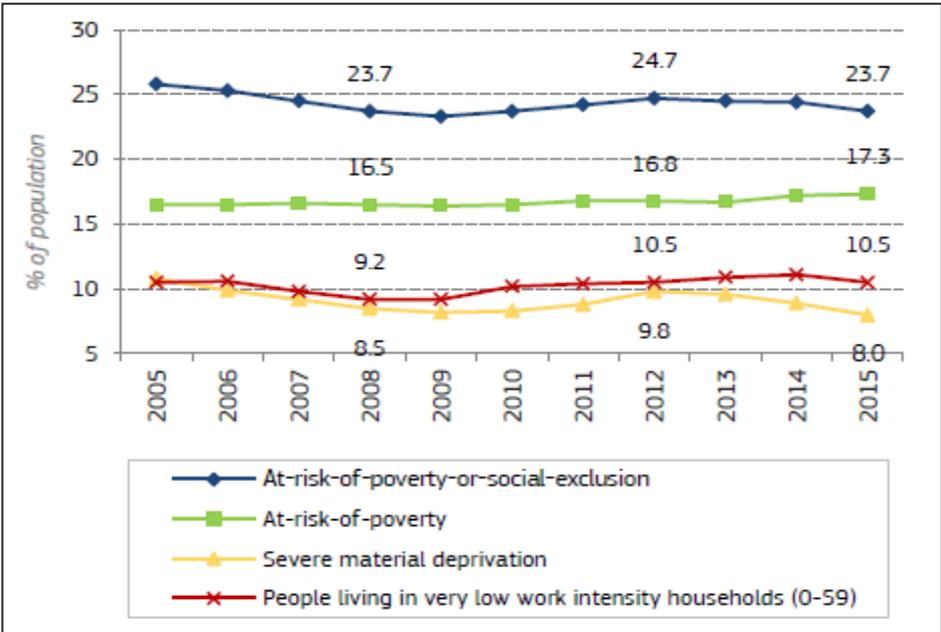
**Notes:**

- 1. AROPE combines AROP, SMD and jobless households with zero or very low work intensity (JLH). JLH: % of population aged 0 to 59; AROPE, AROP: income of the previous year; SMD: current year; JLH: status in the previous year.
- 2. IE, EU15 and NMS12 2014 instead of 2015. Breaks in series BG, EE and NMS12 2014, UK 2012, DK 2011. HR 2010 instead of 2008. 2008 EU27 instead of EU28. (nc) classification of BG and EE not possible due to breaks in series.

**Source: Employment and Social developments in Europe 2016 p.40**

Important differences in performances between Member States persist. In 2015, more than a third of the population was at risk of poverty or social exclusion in three EU Member States: Bulgaria (41.3 %), Romania (37.4 %) and Greece (35.7 %). At the other end of the scale, the lowest shares of persons being at risk of poverty or social exclusion were recorded in Finland (16.8 %), the Netherlands (16.4 %), Sweden (16.0 %), Norway (15%), the Czech Republic (14.0 %) and Iceland (13%).

In 2015, 17.3% of the population (86.7 million) were at risk of poverty after social transfers, a significant increase compared to 2008 (16.5%). This increase reflects the weak economic and labour market situation until mid-2013, and the subsequent upward shift in the poverty threshold as household incomes started to recover in mid-2013. 8.1% of the population (40.3 million) were severely materially deprived, a decrease compared to 2008 (8.5%). These numbers have seen a decline that is mainly driven by strong decreases in a few Member States, i.e. Bulgaria, Estonia, Hungary, Italy, Latvia, Lithuania, Poland and Romania. 10.5% of the population aged 0-59 lived in households with very low work intensity. In Greece, Spain, Belgium and Croatia around 15% of people live in jobless household and in Ireland more than 20%.



**Figure 2: At risk of poverty or social exclusion rate and its components – EU27**

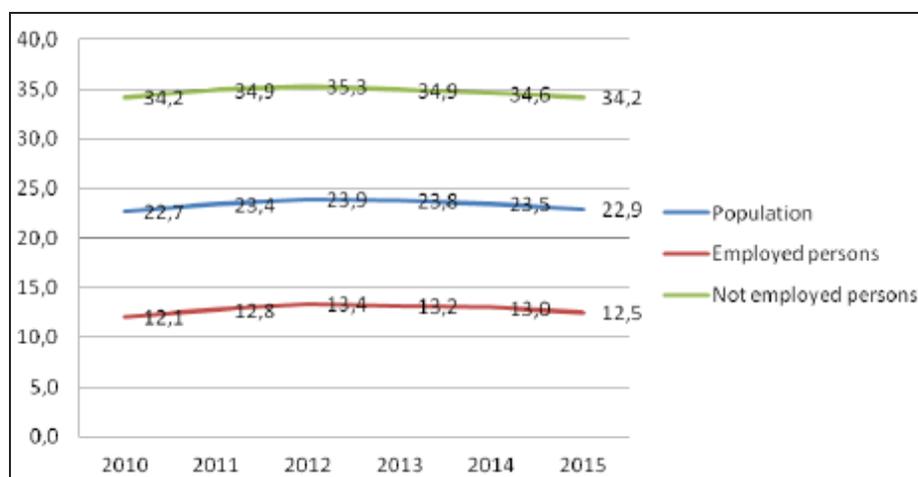
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*Note:* AROPE combines AROP, SMD and JLH (Jobless Households with zero or very low work intensity). JLH: % of population aged 0 to 59; AROPE, AROP: income of the previous year; SMD: current year; JLH: status in the previous year.

*Source ESDE 2016 p. 39*

While the AROPE decreased for the elderly, adults without children and single persons, some other **groups** have been severely affected by the crises (low-skilled, migrants, inactive). Countries with the highest rate of **child poverty** are Romania, Bulgaria, Greece and Hungary. Migration background also constitutes a significant factor for child poverty: in most countries (except PL, EE, HU, LV and SK) child poverty in migrant families is almost double compared to families where parents are born in the country. For the most vulnerable groups of families, the **persistence of poverty** has deteriorated; this is especially the case for single parents with children<sup>8</sup>.

**Figure 3: People at risk of poverty or social exclusion by activity status**



*Source: Crepaldi et al, p. 27*

In 2015 34.2% of the unemployed were at-risk-of-poverty compared to 12.5% of the employed. Especially **long-term unemployed** people face the highest poverty risk. But new forms of poverty are also emerging amongst workers: the **working poor** are becoming widespread amongst workers in low-paid and precarious jobs, self-employed and part-time workers.

<sup>8</sup> Crepaldi et al, Minimum income policies in EU Member States, p.23-24

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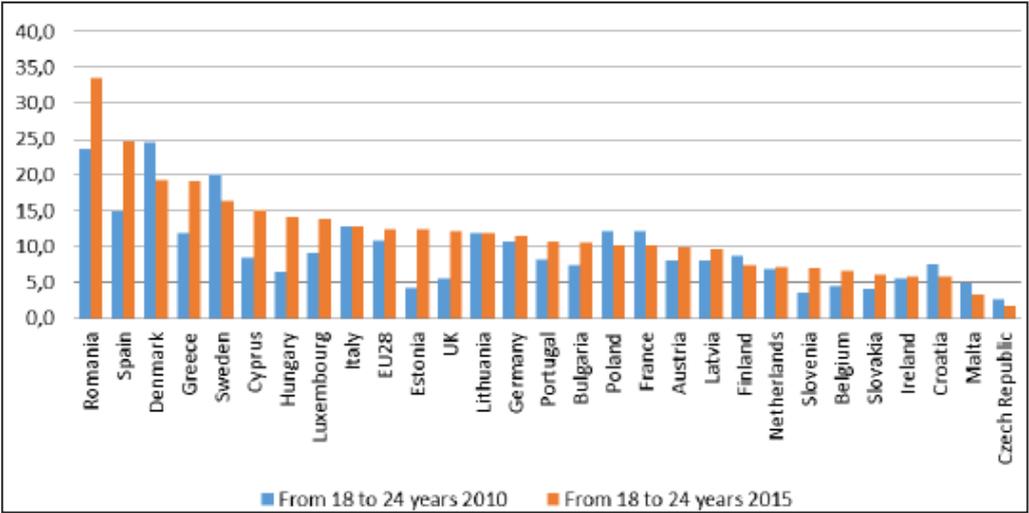


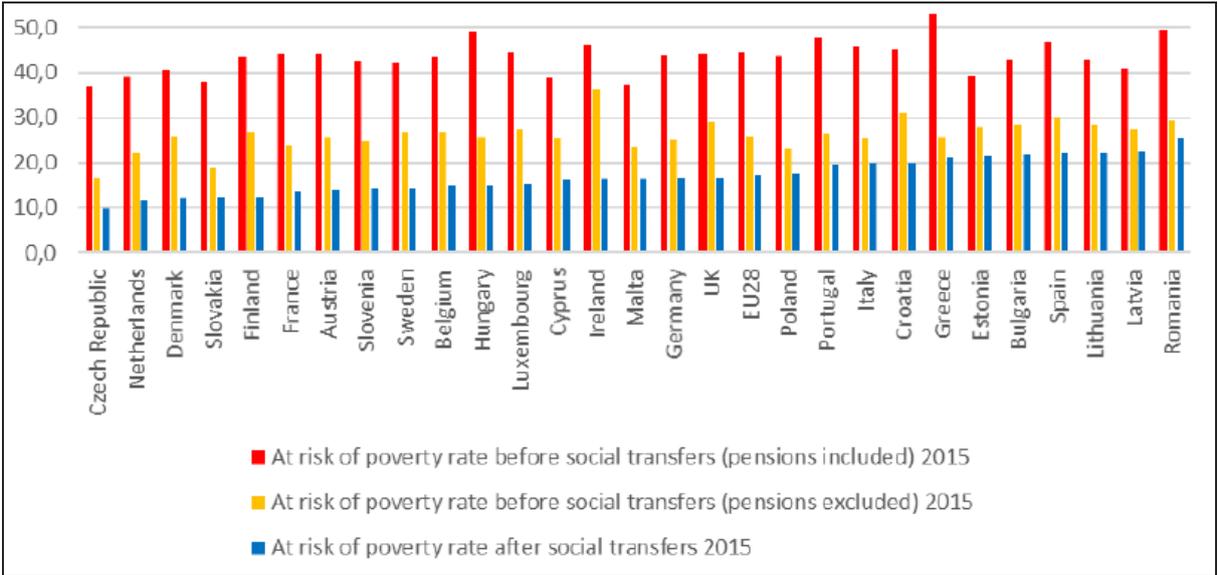
Figure 4: In work poverty: evolution 2010-2015, 18-24 years

Source: Crepaldi et al p. 28

In work poverty is particularly high in countries such as Romania, Greece and Spain. Young people are particularly hit by in-work poverty. The highest rates are found in the same countries, plus Denmark<sup>9</sup>.

In 2015, **social transfers** reduced the share of people AROPE by 8.7 percentage points from 26% to 17.3%. But huge differences exist between countries: the positive effect of social transfers other than pensions, ranges from 19.9 p.p in IE, 14.4 p.p in FI and 13.6 p.p in DK to as little as 3.9 p.p in RO, 4.1p.p in EL, 4.8 p.p in LV, 5.3 p.p in PL and 5.5 p.p in IT<sup>10</sup>.

Figure 5: At-risk-of-poverty rates before and after social transfers, 2015



Source: Crepaldi, based on Eurostat SILC data, p.50

<sup>9</sup> Idem p.28  
<sup>10</sup> Eurostat ilc\_li10 ilc\_li02

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Crepaldi et al. report that in the period 2010 to 2015 a group of countries were able to enhance the impact of their social transfers (other than pensions) in reducing poverty (HR, CY, FI, IT, EL and AT) while others have seen a significant reduction in the impact of social transfers (LU, LV, EE, LT, IE, and HU)<sup>11</sup>.

The redistributive effects of tax and benefit systems strongly contributes to the reduction of **income inequalities**. However, the convergence in income inequality in Europe stopped with the crisis. Slovenia, the Czech Republic, Sweden and Finland are the countries with the lowest inequality. The high-inequality Member States include those where inequality rose fastest over recent years, especially in Bulgaria, Estonia, Lithuania, Romania, Cyprus and Slovakia<sup>12</sup>.

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<sup>11</sup> Crepaldi et al p. 52

<sup>12</sup> European Commission, Employment and Social developments in Europe 2016

### EU Policy Framework on Minimum Income

Over the past 30 years, the European institutions have been building up a policy framework to tackle poverty and social exclusion. In doing so they have emphasised the importance of adequate minimum income support within active inclusion policies for ensuring a decent life for all within the European Union.

**Key milestones** for the progressive realisation of adequate and accessible Minimum Income Schemes are:

- **1992 Council Recommendation**<sup>13</sup> agreeing on the need to guarantee sufficient resources and social assistance to everyone in the EU.
- **2008 Commission Recommendation on Active Inclusion**<sup>14</sup>, stating that Member States should design comprehensive strategies for the active inclusion of people excluded from the labour market, combining adequate income support, inclusive labour markets and access to quality services.
- **2010 European Year Against Poverty**, launching the European Flagship Platform Against Poverty.
- **2010 Europe 2020 Strategy**, setting a specific target to reduce the number of people at risk of poverty and social exclusion by at least 20 million by 2020.
- **2013 Social Investment Package**, where the Commission voiced its ambition to give guidance to the Member States on upgrading active inclusion strategies, including through establishing reference budgets to help design efficient and adequate income support.
- **Since 2013** the European Parliament and Council Regulation on the **European Social Fund**<sup>15</sup>, states that the fund should strengthen social inclusion and fight poverty and develop active, preventive and sustainable inclusion policies, through a ring-fenced allocation of 20% of total ESF resources.

The **European Parliament** in several resolutions<sup>16</sup> supported the establishment of an EU target for MIS, providing income support of at least 60% of median income and a timetable to reach that goal. In some of its resolution, the Parliament called on the Commission to launch a consultation on the possibility of a legislative initiative on minimum income. Although the language has become less strong, in its most recent position on the European

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<sup>13</sup> Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems (92/441/EEC)

<sup>14</sup> European Commission (2008), *Commission Recommendation on the Active Inclusion of People Excluded from the Labour Market*, 2008/867/EC, 03.11.2008 <http://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32008H0867&from=EN>

<sup>15</sup> Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006.

<sup>16</sup> **European Parliament**, Resolution on the role of Minimum Income in combating poverty and promoting an inclusive society in Europe, July 2010, **European Parliament**, Resolution on the European Platform against poverty and social exclusion, November 2011, **European Parliament**, Resolution on a European Pillar of Social Rights, EP A8-0391/2016, **European Parliament**, Minimum income policies as a tool to tackle poverty, 2016/2270(INI)

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Pillar of Social Rights, the Parliament still supports the idea of an EU initiative on minimum income.<sup>17</sup>

The **Committee of Regions**<sup>18</sup> as well as the **European Economic and Social Committee**<sup>19</sup>, support the idea of a framework directive on minimum income, and the latter calls on the Commission to examine funding possibilities.

As part of an overall policy to strengthen social protection systems, the **ETUC**<sup>20</sup> calls in the Manifesto for a European framework directive on an adequate **minimum income** that establishes common principles, definitions and methods for Minimum Income Schemes in the Member States, combining income support with active inclusion and access to quality services.

The **Social Platform**<sup>21</sup>, in its position on adequate minimum income calls for the adoption of an EU framework directive on Adequate Minimum Income Schemes that establishes common principles, definitions and methods, to achieve a level playing field across Europe. Such an EU directive on adequate minimum income should set common methodologies for defining adequacy (e.g. 60% at risk of poverty indicator, material deprivation, reference budgets), common approaches on coverage, avoiding exceptions and backdoors, and efforts to ensure take-up and common information requirements.

In its opinion on the **2017 Annual Growth Survey and Joint Employment report**<sup>22</sup>, the **European Council** calls for renewed focus to deliver on the **poverty** and employment **target** as well on **adequacy and coverage of social protection systems throughout the life cycle, to prevent poverty and social exclusion**. They strongly support “policy reforms based on an **active inclusion approach**, combining adequate income support, high quality, activating and enabling social services and support for labour market (re)integration, remain key and are efficient and sustainable ways of fighting poverty and social exclusion. This includes ensuring

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<sup>17</sup> “Highlights the importance of adequate **minimum** income **schemes** for maintaining human dignity **and to combat poverty and social exclusion** as well as **their** role **as a form** of social investments enabling people **to participate in society, and** to undertake training and/or look for work; **invites the Commission and Member States to assess minimum income schemes in the European Union, including whether the schemes enable households to meet their needs; invites the Commission and Member States to evaluate on this basis the manner and the means of providing an adequate minimum income in all Member States and to consider further steps in support of social convergence across the European Union, taking into account the economic and social circumstances of each Member State as well as national practices and traditions;**” EP A8-0391/2016

<sup>18</sup> **European Committee of the Regions**, Opinion on the European Platform against poverty and social exclusion, April 2011

<sup>19</sup> **European Economic and Social Committee**, Opinion on European Minimum Income and poverty indicators, December 2013

<sup>20</sup> **ETUC** resolution December 2016

<sup>21</sup> **Social Platform**, An EU directive on adequate Minimum Income, Position paper adopted by Social Platform’s Steering group, 24 June 2014

<sup>22</sup> **European Council** 6266/1/17 REV 1

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**adequacy, coverage and take-up** of benefit schemes, better efforts to introduce and provide integrated and individualised services and enhanced incentives to work”.

### **The right to an adequate minimum income in the European Pillar of Social Rights<sup>23</sup>.**

After a long period of consultations, in April 2017, the European Commission has published its communication and recommendation establishing a European Pillar of Social Rights. The Pillar is a framework of rights and principles to support fair and well-functioning labour markets and welfare systems. The discussion on the social dimension of Europe is part of a broader debate on the future of the EU. The official proclamation of the pillar by all EU institutions is expected at the European Council in December 2017. The text of the Pillar is supported by a number of staff working documents with more detailed explanations on each of the principles and rights. A social scoreboard is established to monitor progress on the ground.

The Pillar reaffirms the rights that already exist at EU and international level. By ways of a recommendation, these rights and principles are put together to give them more visibility and to establish a framework for guiding future actions of the Union and the Member States. The rights and principles are not directly enforceable but require translation into action and/or legislation, at the level of the Union or the Member States. The European Semester is seen as an important instrument to monitor developments and promote targeted reforms. Benchmarking will be used in areas particularly relevant for the Euro zone, such as unemployment benefits, minimum wages and minimum income.

The Pillar is structured around three categories of rights and principles, one of these is social protection and inclusion. The Communication states that it is important that “an effective social protection system is in place to protect the most vulnerable in society, including a ‘social protection floor’. On minimum income, the Recommendation states that *“Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market.”*

The staff working document refers to the Union acquis in art. 34(3) of the Charter of Fundamental Rights of the Union that recognizes, inter alia, the right to social assistance to ensure a decent existence for all those who lack sufficient resources in accordance with the rules laid down by Union law and national laws and practices. It refers to the legislative powers of the Union and its limits: according to art. 153(2) of TFEU the Union is empowered to adopt measures to support and complement the activities of Member States in the field of integration of persons excluded from the labour market. Although the document doesn't mention the possibility of EU law, the fact that it refers to ‘integration of people excluded

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<sup>23</sup> **European Commission**, Communication from the Commission Establishing a European Pillar of Social Rights, Brussels 26 April 2017, Com (2017) 250 final, and SWD (2017) 200 final, SWD (2017) 201 final, SWD (2017) 206 final

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from the labour market', leaves the door open for further advocacy, as initiated through the EAPN Working document from 2010<sup>24</sup>.

At its meeting of 22 May 2017, the EMIN steering committee has taken a position of the right to a minimum income as formulated in the Pillar<sup>25</sup>. In general, EMIN firmly welcomes the inclusion of the right to adequate minimum income through the life-cycle as one of the 20 rights and principles of the Pillar. The follow-up on this rights through the use of the European Semester is welcomed, but EMIN persists in its position taken during the first EMIN project, that an EU law should enforce the right. With regard to benchmarking adequacy of minimum income, EMIN is of the opinion that the 60% of median equivalised income (AROP) and the agreed material deprivation indicator should be used. Additionally, a common EU-wide framework and methodology for reference budgets should be further developed and be used to contextualise the AROP threshold in order to gain more insight in the kind of living standard the threshold represents in different countries. EMIN further supports the idea to use the European Funds to support the implementation of the rights in the social pillar, but stresses that to secure the long-term sustainability of funding for adequate minimum income, especially in countries under financial adjustment programmes, additional resources are needed to guarantee funding of all welfare provisions.

Concerned with the narrow definition of incentives to reintegrate into the labour market, pointing only at the design of the benefit to preserve financial incentives to take up a job, EMIN proposes a rewording of the right to minimum income in line with the active inclusion Recommendation, referring to inclusive labour markets policies and access to quality services.

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<sup>24</sup> Van Lancker Anne, Working document on a framework directive on minimum income, EAPN September 2010; art 153, 1, h, allows the EU to support the activities of Member States in the field of integration of people excluded from the labour market; art. 153 (2) foresees that legislation is a possible option for intervention at EU level.

<sup>25</sup> The full text of the EMIN position can be found in annex

### Minimum Income Schemes across Europe

Evidence shows that Member States with good social welfare policies are amongst the most competitive and prosperous. Even when Minimum Income Schemes only represent a very small percentage of governments' social spending, they have a high return on investment. As minimum social floors for high-level social protection systems, they act as economic stabilisers. Countries with high-level social protection systems were best able to resist the negative impacts of the crisis<sup>26</sup>.

Minimum Income Schemes in Europe are non-contributory, means-tested schemes of last resort, aimed at people who are unable to find work or who do not receive social security benefits. Some schemes also serve as top-ups when wages or benefits are too low. The schemes vary widely in terms of eligibility criteria, but all refer to lack of sufficient resources, age requirements, residence and willingness to actively look for work. There are also differences in the governance of the MIS, both in terms of financing and implementation, some are governed at national level, others at local level and some are mixed. In 2015, at the end of the EMIN1 project, all countries in the EU, except Greece and Italy, had some kind of nationally regulated MIS.

Meanwhile, changes occurred in the MISs of some of the countries in Europe. For the following analysis, we used the national context reports of the EMIN2 project, as examples to illustrate the general assessments. These general assessments are based on the most recent studies analysing MISs in Europe: the 2015 ESPN study and the Crepaldi study for the European Parliament.

#### ***Some positive evolutions on adequacy, coverage and/or take-up in countries***

Recently, **Greece** and **Italy** both started to introduce a MIS. In Greece, the social solidarity income was launched aimed at providing a safety net to households living in extreme poverty; in the first pilot phase (July to December 2016) the programme was implemented in 30 municipalities; in the second phase from January 2017, it covers 325 municipalities; full implementation in 2018 is expected to reach approximately 700.000 people.

On top of the existing regional schemes, Italy has introduced the SIA, support to active inclusion, a prepaid card with a small amount of money for families with specific needs in very deprived economic conditions, dependent on signing up for an active inclusion contract. The measure will later be replaced by a new scheme, the REI (inclusion income support), that has been approved in 2017 and will be rolled out throughout the country by 2018.

**Estonia** introduced an important increase in the basic MI benefits and in equivalence scales for dependent family members, that has a strong impact especially on large families. MI levels are now above absolute poverty but still way below AROP. Major changes further occurred to the MIS in **Croatia** where time limits to the MIS have been eliminated and benefits can be combined with work; but in terms of adequacy the benefit is not even enough to cover the costs of a healthy food diet and reaches 38% of the poverty threshold.

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<sup>26</sup> SPC, Social Europe: Many ways, one objective, Annual report on the social situation in the EU (2013), February 2014

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Due to strict means-testing coverage is limited. In **Cyprus** new legislation was introduced that changed criteria related to property and deposits whereby more people can now apply for the scheme. In **France** reforms to the RSA aim at increasing the return rate to employment. In **Luxemburg** reform of the MIS is in preparation with new eligibility criteria and amounts. In **Romania** the law on minimum insertion income, unifying different schemes is expected to take effect in 2017-2018. It will merge 3 existing social benefits into one MI benefit with an increased level of adequacy and coverage: the minimum inclusion income, targeted to the poorest families and combining a basic benefit with additional support for children and with a housing supplement. The aim is to lift 10% of households out of extreme poverty.

**Spain** has a fragmented model of MI with important regional inequalities between Autonomous Communities who are responsible for (mostly inadequate) MISs. Following a research project financed through EaSI, the country is examining the possibility of introducing more coherence in the different regional MISs and increasing the coordination between social services and employment services.

The **Netherlands** saw an important devolution of social policy to local authorities through the Participation Act and Social Support Act. **Finland** change the governance from municipalities to central government in order to minimize non-take-up and ensure more equal treatment. It also passed a new law that obliges the government to commission regular evaluations of the MIS by independent experts. **Iceland** issued new guidelines to harmonize the reference amounts granted by municipalities. It also introduced a new central housing benefit and a health insurance scheme.

***But in other countries the situation of MI beneficiaries has deteriorated.***

**Hungary** has reformed the existing scheme, that was already considered as inadequate, by centralizing the implementation of the employment replacement benefit (which is considered as minimum income) and left some rights to local municipalities for additional income support provision, that made the system even less generous. In **Denmark** lower benefits have been introduced for people with residence of less than 7 years during the last 8 years, a measure that specifically hits migrants. MIS reform also reduced benefits for 25 to 29 years old. The Danish MIS became much more complex with now 12 different rates of MI. A cap has been put on social assistance limiting additional support for housing and energy. An obligation to work at least 225 hours per year illustrates the 'make work pay' parole.

In the **UK**, minimum income schemes for working age households are being replaced by Universal Credit, that will be rolled out for new clients by 2018 and for all beneficiaries by 2025. Freezing of benefits, cuts to child and family tax credits, the roll-out of the less generous universal credit benefit and the introduction of a 2-child restriction for child tax credits and universal credit have considerably eroded the benefit system in the UK. In **Austria**, attempts to renew the agreement on MI between the central government and the provinces failed. Since then, most provinces have reviewed their MISs introducing cuts and caps on MI, housing or child benefits, replacing benefits in cash by benefits in kind and/or by introducing special provisions for non-Austrian citizens and excluding persons with subsidiary protection from the MIS. In **Bulgaria**, adequacy levels of MI benefits have

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decreased since the benefits have not been adopted to the rising cost of living. The gap with the poverty line and with minimum wages is growing.

Since 2015 in *Lithuania*, municipalities provide cash social assistance for poor residents, financed from municipal funds under equal conditions. Municipalities can complement with extra benefits. The reform contributed to a reduction in the number of beneficiaries, although the poverty rate has increased. In *Malta*, the removal of the child supplement had a negative impact on MI.

In *Poland* the new generous child allowance that is paid by the central government, can now be combined with MI granted by local authorities. However, this reform has caused a drastic reduction in take-up of MI. In *Portugal*, improved equivalence scales and increase in indexation used as reference for social benefits has resulted in an improvement of MI. However, at the same time increased eligibility conditions have led to a reduction of beneficiaries. In *Slovenia*, the elimination of limits related to property had positive effects on take-up of benefits. However, low minimum wages act as a glass ceiling on MI levels that are so low they push people in poverty. Child benefits are considered as the first source of income for families.

The **Crepaldi study**<sup>27</sup> summarizes the **major trends** in the reforms in MISs over the period 2010 to 2016 as follows:

- strengthening of conditionality, in particular linking MISs more strictly with commitments to work: for example, the Universal Credit in the UK, concrete bonds with active labour market policies in EE, EL, PT, SK, IT, LV and NL
- setting more restrictive eligibility criteria, limits in time of the benefits, for example, DE low levels of benefits justified as incentive to return to the labour market, PT stricter eligibility and conditionality lead to reduced levels of coverage and lower benefits during the crisis, followed by an increase in equivalence scales and extension of group of beneficiaries after the crisis, DK put a cap on MI to 'make work pay. Economic arguments have been central in the reduction of benefits.
- Efforts to simplify a multitude of different and fragmented schemes and to merge them into a general MIS, ex FR, IT, UK.
- Complex interplay between regulation and organisation of schemes: devolution in NL, centralisation in FI, RO, one-stop-shops in HR.
- Introduce a 'pay back welfare approach', where beneficiaries compensate for the reception of benefits: ex NL where municipalities demand MI beneficiaries to take up voluntary work.
- Progressively targeting of income support to those most in need or specific target groups, to reduce spending: ex HU is gradually abandoning a general MIS, in several countries income support has focused on families with children (EE, LV, MT, PL, PT, IT)

MIS miss their objectives to reduce poverty for **three main reasons**: because the benefit levels are not adequate to lift people out of poverty, because the benefits do not cover all people in need, or because they do not reach all the people who have a right to receive the

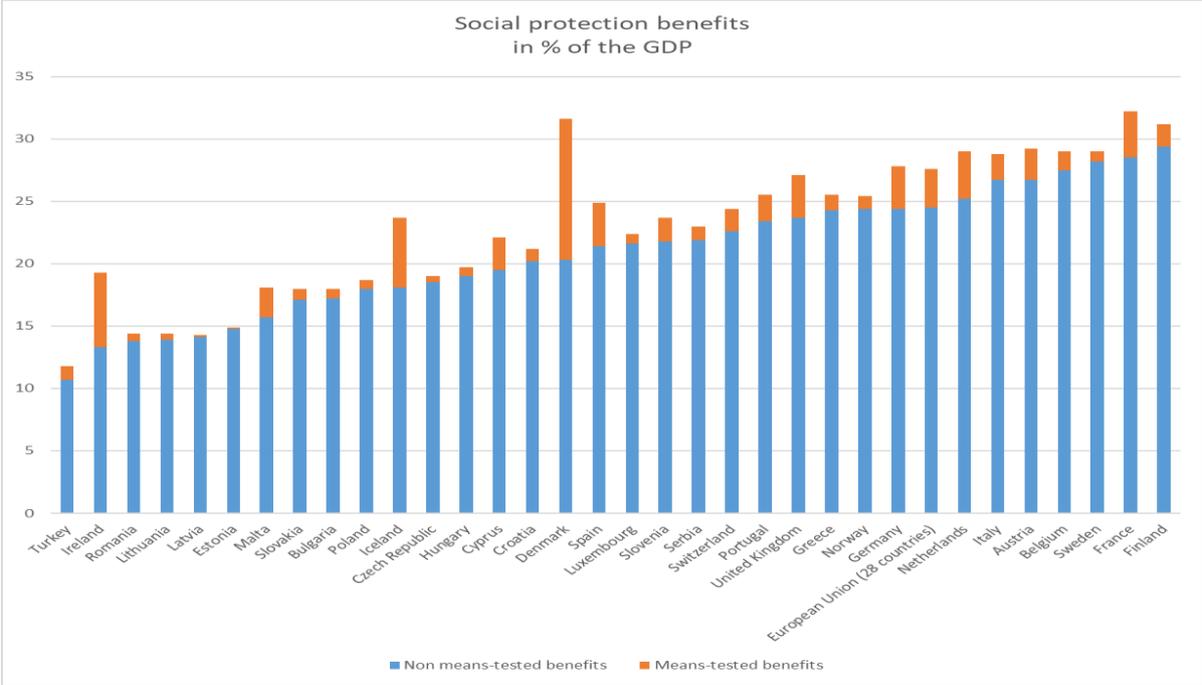
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<sup>27</sup> Crepaldi et al, p.54

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benefits. Adequacy, coverage and take-up are the three elements that constitute the core of the debate around MIS, affecting the effectiveness of the schemes.

In most countries, global funding for means-tested benefits is relatively small compared to funding of non-means-tested, contributory benefits. In the EU 28, 3.1% of GDP is spent on means-tested benefits, compared to 24.5% on non-means-tested benefits. Only in DK (11.3%), IE (6%), IS (5.6%), expenses on means-tested benefits are considerably higher than EU average.



Source: Josée Goris, based on EUROSTAT and ESPROSS 2014

## Context report EMIN2

The levels of payment show very great differences in degree of generosity of MISs<sup>28</sup>.

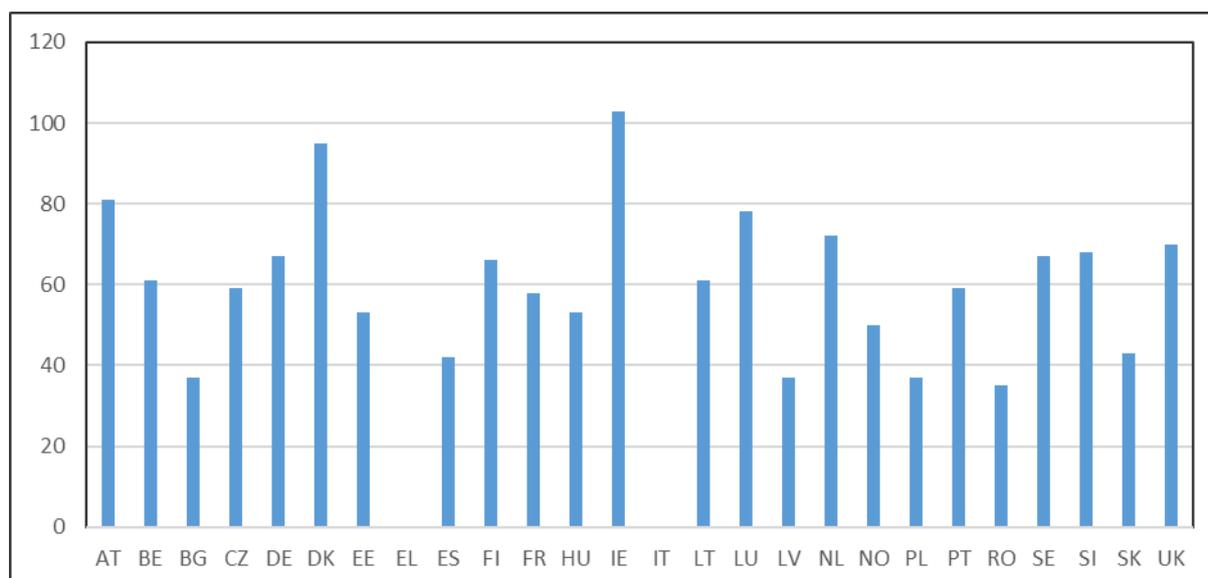
**Table 1: Net income on social assistance, 2012 (for EU-SILC: 2013 survey year)**

	Social assistance local currency				Social assistance € PPPs				Social assistance as % 60 per cent threshold			
	single	couple	C2C	LP1C	single	Couple	C2C	LP1C	single	couple	C2C	LP1C
AT	9807	14019	24620	14602	9271	13252	23274	13804	74	71	81	85
BE	9182	12263	17979	14281	8394	11210	16435	13054	71	63	61	85
BG	875	1335	2904	1951	914	1395	3036	2039	25	26	37	44
CZ	77608	102292	158556	121804	4142	5460	8463	6501	67	59	59	81
DE	6828	10428	18204	11672	6705	10240	17876	11461	58	59	67	76
DK	99434	190060	263009	176705	9411	17989	24894	16725	83	105	95	113
EE	2264	3001	4809	2857	2833	3754	6016	3574	57	51	53	56
EL	0	0	0	0	0	0	0	0	0	0	0	0
ES	5023	5679	7894	7157	5260	5946	8266	7494	62	47	42	68
FI	9538	14037	21203	13843	7695	11324	17105	11168	68	67	66	76
FR	8573	11515	16650	13349	7857	10554	15260	12234	68	61	58	82
HU	321800	349400	955612	638540	1799	1954	5343	3570	41	30	53	62
IE	13884	20530	26989	17270	12071	17849	23465	15015	121	120	103	116
IT	5579	8315	11895	8795	5338	7956	11381	8415	59	59	55	72
LT	4200	7560	13690	7622	1846	3323	6018	3351	43	52	61	60
LU	16916	24798	36073	22655	13889	20360	29618	18601	85	83	78	87
LV	819	1299	2379	1719	1569	2489	4559	3294	29	31	37	47
NL	11396	16208	20774	17155	10543	14995	19220	15872	91	86	72	106
NO	111036	151164	223032	154668	9328	12699	18736	12993	58	52	50	62
PL	3804	5090	11052	10444	1560	2088	4532	4283	29	26	37	62
PT	2118	3710	6683	3697	2445	4282	7713	4267	43	50	59	58
RO	1309	2509	4489	2509	512	981	1755	981	24	30	35	35
SE	84720	114240	213276	125112	7579	10220	19079	11192	61	55	67	70
SI	3963	5905	11088	6565	4662	6946	13043	7723	56	55	68	71
SK	1420	2381	4010	2769	1985	3328	5607	3871	35	39	43	53
UK	5716	7719	15357	10017	6541	8833	17573	11462	60	54	70	81

Source: CSB MIPI Version 3/2013; Eurostat (PPP: final household consumption from <http://ec.europa.eu/eurostat/web/purchasing-power-parities/data/database>; last accessed 21/2/2014; at-risk-of-poverty [AROP] thresholds 2013, income years 2012 from <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>, last accessed 18/9/2015)

**Denmark, Ireland and the Netherlands** are the only countries where net income packages at social assistance reach the at-risk-of-poverty threshold, at least for some model families. In **Bulgaria, Romania, Latvia and Poland**, for most family types, the minimum income doesn't even reach 40% of the AROPE threshold.

**Figure 6: Social assistance as % of 60% median income, couple with two children**



Source: own graph based on study *ESPN on Minimum Income in the EU 2015*

<sup>28</sup> Table A1 is copied from the ESPN report on Minimum Income Schemes in Europe, a study of national policies, annex 2: a comparison of minimum income schemes in European countries using MIPI data, p. 39-41

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The ESPN experts conclude that, given the problems with **adequacy** of payments, the low proportion of GDP spent on MI schemes, the fact that in most countries the levels of MI benefits fall below the at-risk-of-poverty (AROP) threshold, and in many cases even below the absolute poverty line set at 40% of median income, the impact of MI schemes on poverty reduction is quite limited. The impact is strong in only four countries (IE, IS, NL, UK). It is very limited in fourteen countries (AT, BG, CY, DE, EE, EL, ES [except Basque country], FR, LV, MK, PL, PT, RO, SK). Also, it is concerning that the impact has increased in only five countries (AT, EE, MT, PL, SI) while it has got worse in eleven (BE, BG, CZ, DK, ES, HU, LT, NO, RO, SE, UK) since 2009. In most countries, uprating can be done on regular basis, but in 9 countries (BG, EE, EL, HR, HU, IE, LI, LT and SK) there is no clear mechanism.

In the **report of the EMIN1 project**<sup>29</sup>, one of the conclusion was that in most countries adequacy of MIS is not at the centre of the political debate. Between countries there are many different definitions of what constitutes a decent income. In most countries no official benchmarks are used to determine the level of benefits; some countries use concepts such as subsistence level or income or implement MIS as measures to avoid absolute poverty. In some countries reference budgets are used to set the level of minimum income, but EMIN teams mention that the baskets used do not cover all necessary expenses. In countries where reference budgets are well-conceived, they are seldom used as benchmarks for MI levels.

The case law of the Committee for the European Charter of Social Rights of the Council of Europe considers that minimum income can only be seen as appropriate when the monthly amount of assistance benefits, including medical assistance, is not manifestly below the poverty threshold that is established at 50% of median equivalised income<sup>30</sup>. Although all Member States have ratified the European Charter of Social Rights, it is obvious that most of them would not pass the test of the Committee regarding the adequacy of their minimum income support.

Although most MISs are seen as universal schemes designed to lift all people in need out of poverty, **coverage** of the population is often limited by applying eligibility criteria that exclude more or less wider proportions of the population.

As regards coverage of those in need, the ESPN experts<sup>31</sup> find that in some nine countries/regions (AT, ES [Basque country], HU, IT (some regions), LT, MK, PL, RS, UK) restrictive eligibility conditions mean that coverage is partial and in eight (BG, EL, ES, HR, IT [several regions], LV, PT, RO) it is very limited. The ESPN synthesis report finds that most of the countries that are assessed as having fairly comprehensive coverage come from the group of countries who have a simple and comprehensive scheme open to all with insufficient means to support themselves<sup>32</sup>. However, comprehensive coverage was also

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<sup>29</sup> Van Lancker Anne, Toward adequate and accessible Minimum Income Schemes in Europe Analysis of Minimum Income Schemes and roadmaps in 30 countries participating in the EMIN project - Synthesis report, January 2015 p.20

<sup>30</sup> Council of Europe, Digest of the case law of the European committee of social rights, September 2008

<sup>31</sup> ESPN report on Minimum Income Schemes in Europe,

<sup>32</sup> Table 3 of the report identifies these countries of the EU in this category and ensuring comprehensive coverage: BE, CY, CZ, DK, EE, FI, LU, NL, SE, SI and SK

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found in countries with a complex network of different, often categorial and sometimes overlapping schemes which cover most people in need of support.

In the EMIN project<sup>33</sup>, teams stated that coverage was low in certain countries, due to income thresholds to qualify for MIS that are extremely low, often below 40% of median income which is the absolute poverty line. This is also the case for the new MIS in Italy, the so-called SIA, a benefit in form of a prepaid card that is only granted to families with at least one child, with an income below 3000€ per year. In other countries coverage is reduced through excessive means-testing. With regards to target groups considered or excluded from the group of potential beneficiaries, the SPC points to the fact that in several cases reforms have been introduced in recent years that target income support to those most in need, or to certain groups such as families with children<sup>34</sup>.

The EMIN1 report mentions that asylum seekers and undocumented **migrants** are not eligible for MI, but also people who recently settled in the country don't have access. **Homeless people** have difficulties in accessing MIS, since they often cannot prove their residence. **Young people** also face problems. Age requirement represent an issue of concern, since in many countries a minimum age of 18 years or even more is set (DK>30, CY>28, FR and LU>25), or those under this age receive a much lower support. Another group often facing problem of accessing MI benefits are the **long-term unemployed** who have exhausted their right to unemployment benefits. This problem is linked to the critical passage from contributory allowances to non-contributory based social assistance.

This proves that the **groups that are the most hit by the crisis** are often also those left behind with regards to access to MIS. Often the argument is used that MI should not discourage labour market participation, or encourage welfare tourism.

With regards to increasing coverage by minimum income schemes of people in need of support, the **ESPN report** recommends that:

- Those countries with very complex and fragmented systems should consider simplifying these and developing more comprehensive systems;
- Countries with currently low levels of coverage should review their conditions to ensure that all people in need are covered;
- Those countries whose MI schemes currently exclude significant groups experiencing poverty such as homeless people, refugees, asylum seekers, undocumented migrants, Roma, young people (+18 years) should consider amending their schemes to better cover them;
- Countries with high levels of administrative discretion in their core MI systems should aim to reduce this and ensure that there are clear and consistent criteria for making decisions linked to an effective appeals process.

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<sup>33</sup> Van Lancker Anne, Toward adequate and accessible Minimum Income Schemes in Europe  
Analysis of Minimum Income Schemes and roadmaps in 30 countries participating in the EMIN project -  
Synthesis report, January 2015, p.22

<sup>34</sup> Social Protection Committee, Review of Recent Social Policy Reforms for a fair and competitive Europe 2014  
report of the SPC

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**Non-take-up** is seen as a serious problem that is not adequately addressed. It creates inequalities within the group of people in vulnerable situations who are entitled to benefits, between those who take it up and those who don't. According to a **Eurofound study**<sup>35</sup> there is evidence of non-take-up in most EU Member States, for many benefit systems, including means-tested non-contributory schemes such as MISs. The phenomenon is far from marginal: the study speaks of conservative estimates above 40%. In the EMIN1 project, teams gave indications of non-take-up in countries that range from 20% to as much as 75%.

In most countries take-up of social assistance is defined as limited or partial by ESPN experts<sup>36</sup>; only 8 experts define it as fairly complete (BG, DK, EE, IE, MT, NL, SI and SK). According to the experts, there have been improvements in take-up rates since 2009 in only 4 countries (AT, BG, FI and MT) while in 5 countries the situation has deteriorated (BE, CY, HU, SI, and SK) as a consequence of the crisis. In many countries, the generosity and coverage of minimum income schemes seems to have been reduced as a result of **financial retrenchment in recent years**.

Several **reasons** can be identified for non-take-up in EMIN countries: unknown rights and lack of communication when individuals are not aware of their rights or do not know how to claim MI. The complexity of some MIS also causes higher non-take-ups. Unclaimed rights and offer relevancy by constraint happens when the costs connected to access to MIS are perceived to exceed the potential benefit. Unclaimed rights by 'choice' are linked with the conditions to access MIS that potential beneficiaries are not ready to accept: conditionality linked to activation, especially where public works can be imposed, severe property census, controls that are seen as humiliating or extra conditions that can be imposed. The Eurofound study subdivides the reason according to different levels: the individual, the administration, the design of the scheme, but also society as a whole can contribute to non-take-up.

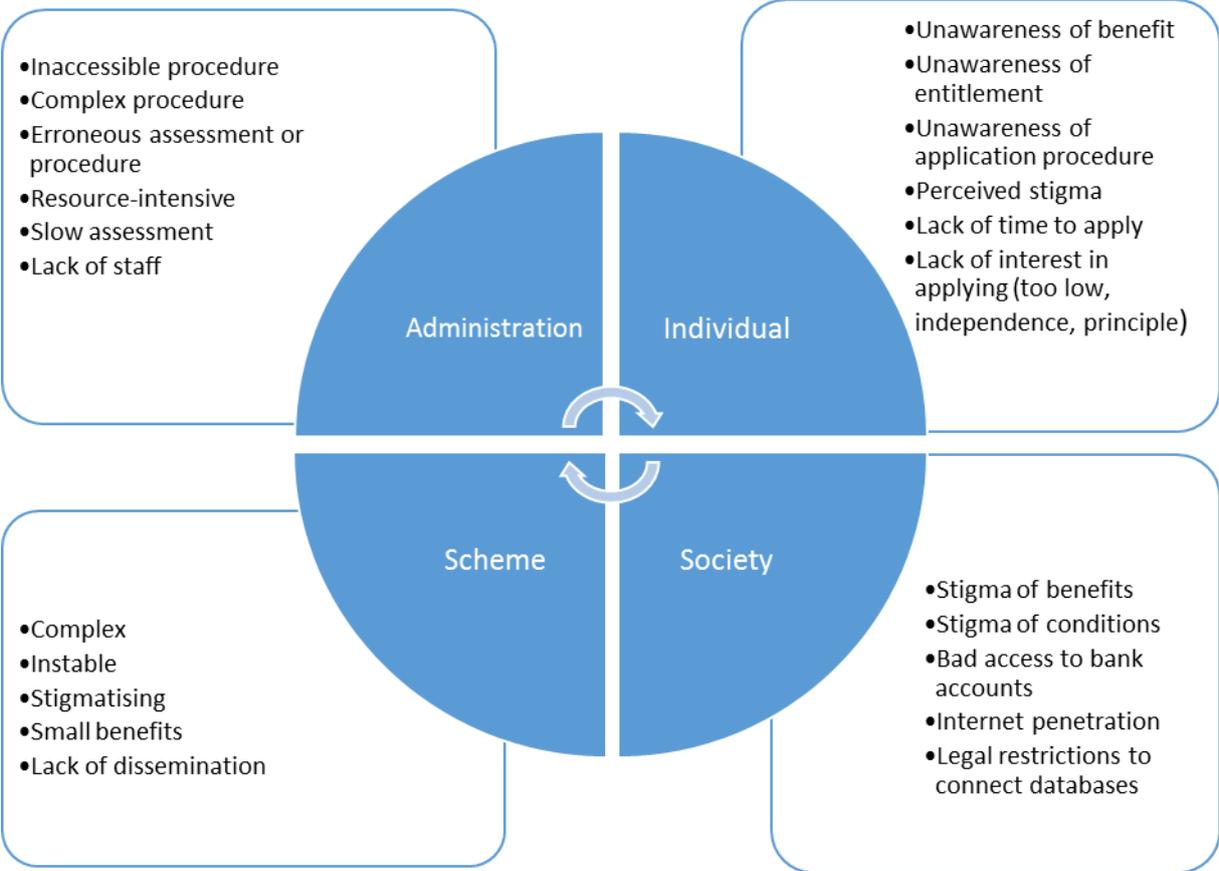
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<sup>35</sup> Dubois H. and Ludwinek A, Access to benefits, reducing non-take-up, Eurofound 2015

<sup>36</sup> ESPN 2016

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**Figure 7: Risk factors for non-take-up at four levels**



**Source: Eurofound, p.25**

The Eurofound study explains, that even though reducing non-take-up may not seem an attractive policy option, since it can be expected to increase public expenditure on benefits, there are strong **arguments** in favour of addressing the gap between take-up and entitlements.

Benefits do not fulfil their potential if they don't reach the people for whom they are meant. These potentials are: to reduce poverty or income shocks, to stimulate social and economic inclusion, stabilise the economy and act as automatic stabilisers. If social benefits would effectively reach those who are entitled to them, poverty targets would be closer to those set by the Member States in the framework of the Europe 2020 strategy; reduction of non-take-up would in particular reduce the most extreme cases of poverty. Also, non-take-up that is caused by complex entitlement criteria may be costly in terms of resources allocated to evaluate applications. Fixed-costs involved in the establishment of the benefit having been made, the cost of additional beneficiaries may be relatively small. If non-take-up is not considered when establishing a benefit, prediction of the impact of reforms may be faulty.

Non-take-up of certain benefits, such as minimum income may also lead to deteriorating living conditions such as health. The study also shows that people who benefit from government programmes tend to score higher in terms of trust in government. Finally, when people are entitled to benefits fail to realise their rights, this leads **to injustice** and to a greater feeling of injustice in society.

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In the **EMIN1 project**, teams formulated recommendation to improve the adequacy, coverage and take-up of MIS. **Solutions** include:

- review of conditions to access, including raising income thresholds, ensuring individual rights and reduction of ‘taper rate’,
- ensure simple and transparent entitlement criteria,
- simplify administrative rules including automatic granting, active information and outreach,
- better cooperation of services and one-stop-shops, case-managers, connection of data-bases and use of ICT,
- reduce administrative discretion and introduce appeal procedures

In terms of **governance**, there are also many differences between countries in Europe. All MISs are financed through taxes, as they are non-contributory schemes of last resort. In most countries MISs are financed at the central level. In other countries financing is a shared responsibility. In a few countries it is the regional or local authorities who finance the systems.

*Table 2: Level of responsibility/ organisation and financing of minimum Income schemes, 2016*

	Financing		
Responsibility	Central	Local	Mixed
Central	Bulgaria, Croatia, Cyprus, Czech Republic, Hungary, Ireland, Malta, The Netherlands, Portugal		Slovakia
Local	Estonia	Finland, Latvia, Sweden	
Mixed	Greece, Italy, Lithuania, Luxembourg, Poland, Slovenia, United Kingdom		Austria, Belgium, Denmark, France, Germany, Romania, Spain

*Source: Crepaldi based on MISSOC 2016 and ESPN 2015 (meanwhile FI has centralised its MIS)*

### Reference budgets, a promising tool in the fight for decent income standards.

In 2013 the European Commission funded a 'Pilot Project on developing a common methodology on reference budgets in Europe'. Reference budgets are illustrative priced baskets of goods and services that people need at the minimum to adequately participate in a given country, region or city. The Project had **three main objectives**: 1) to establish a reference budgets **network** composed of key experts and representative stakeholders, at national and EU level 2) to develop a theoretical framework and a common **methodology** for developing cross-nationally comparable reference budgets in the EU Member States; 3) to develop **comparable food baskets** for the capital city of a maximum number of Member States and as many as possible other baskets. The Project succeeded in developing food baskets for 26 EU Member States, and a basket for health care, personal care and housing for eight EU Member States<sup>37</sup>.

In their report 'Review of current state of play on reference budget practices at national regional and local level'<sup>38</sup> the authors have **mapped an overview** of the different methods, purposes and uses of reference budgets in all EU member states over the past 40 years.

Reference budgets have been developed and used in nearly all EU countries. In the year 2014, HR, LT and LV were the only countries not using RBs at the moment. 12 out of 28 Member States (*AT, BE, CY, CZ, EL, ES, FI, FR, HU, IT, LU, PT*) had reference budgets under construction.

Reference budgets were used in those countries for **several purposes**: as a benchmark against which the adequacy of social benefits or wages can be assessed; to measure poverty or the poverty threshold; for debt counselling; to determine additional income support etc. They can be used by different actors: by researchers, civil servants, social workers, NGOs, Courts and lawyers. Different methodologies and data-set are used, and several actors are involved in the construction of the budgets: researchers, civil servants, experts, social workers, people of various social backgrounds, esp. people experiencing poverty, sometimes through focus groups.

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<sup>37</sup> Goedemé, T., Storms, B., Penne, T., & Van den Bosch, K. (2015). The development of a methodology for comparable reference budgets in Europe - Final report of the pilot project. Brussels: European Commission.

<sup>38</sup> Storms, B., Goedemé, T., Van den Bosch, K., Penne, T., Schuerman, N., and Stockman, S., *Review of current state of play on reference budget practices at national, regional and local level, pilot project for the development of a common methodology on reference budgets in Europe*, Brussels, European Commission, 2014

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*Table 3 : The use of reference budgets in Europe, 2014*

<b>Purposes</b>	<b>N of responses</b>	<b>% of RBs</b>
To assess an adequate standard of living	46	70,8
To assess the adequacy of social benefits	38	58,5
To measure the extent of poverty	35	53,8
To assess the validity of relative income poverty thresholds	22	33,8
To generate equivalence scales	14	21,5
To provide a benchmark for assessing the adequacy of wage	16	24,6
For debt counselling	12	18,5
For financial education	13	20
To determine additional income support	11	16,9
To examine the changes in the CPI	7	10,8
For budget counselling	7	10,8
To assess the minimum cost of living	4	6,2
To present alternative credits scores	6	9,2
To assess rent norms	2	3,1
Others	5	7,7
	238	

Source: Own data

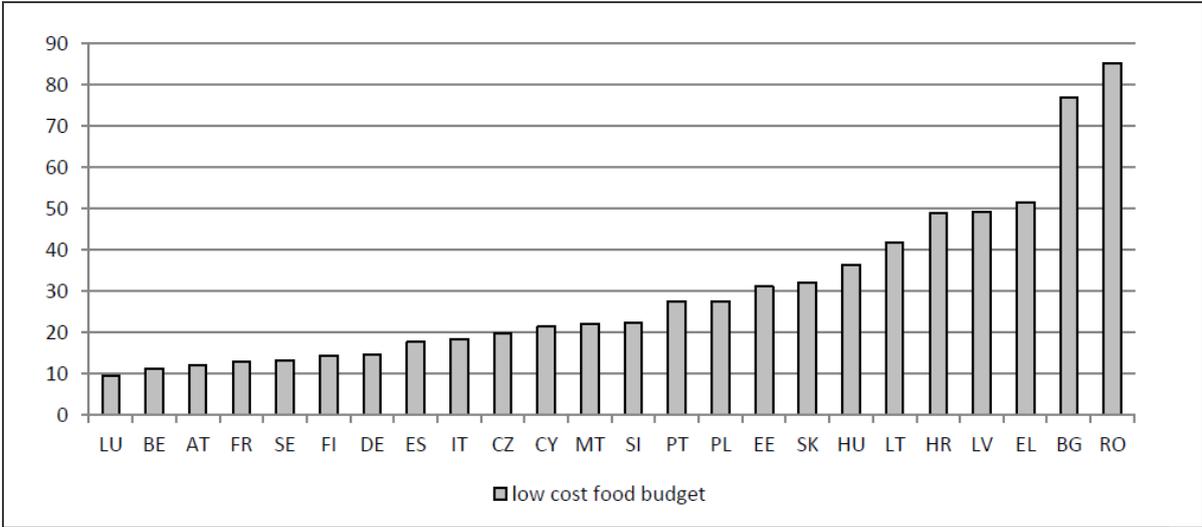
Note: N= 65, missing= 0

**Source: Storms et al., p. 26**

The Reference Budgets Project has shown that reference budgets are a **promising instrument** to build consensus in society about what is an adequate income. They provide a tool to **monitor the social situation** and for policy learning, in addition to existing social indicators, notably the at-risk-of-poverty indicator. Reference budgets help to understand what kind of living standard can be reached with an income at the level of the at-risk-of-poverty threshold. Results of the research show that the at-risk-of-poverty threshold represents very different levels of (in)adequacy of income across capital cities in Europe. For a single person household living in Bucharest, the food basket alone counts for 80% of the AROP threshold, whereas in Luxemburg this amounts to only 10%. At the same time, reference budgets can also be used as a **benchmark to assess the adequacy of people's net income**. Research shows that families, especially those with children, living in the capital cities of poorer countries on minimum income schemes cannot afford a healthy diet based on the food basket. If all other needs would be taken into account, Minimum Income Schemes in many countries would appear not to be fully adequate. Where in some countries, using complete reference budgets to determine the level of income support would be too ambitious, reference budgets can also be used reduce the cost of essential goods and services, to identify priorities for policy action and to facilitate cross-national learning.

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**Table 4: The low cost food basket, expressed as a percentage of the at-risk-of poverty threshold for a single (woman) in 24 countries\*, 2013**



Note: Price levels refer to the capital city. Food baskets converted to price levels of 2013, making use of the official food-specific HICP, published by Eurostat. At-risk-of-poverty thresholds taken from Eurostat on 25/08/2016 (EU-SILC 2014). \*Data are not available for DK, IE, NL, SK, UK.

**Sou**

**rc: Goedemé et al (2017), CSB working paper 17.07, p.16**

The **EMIN2 national reports** also reflect on the use and value of reference budgets. The **Czech** team would prefer to see alternative reference budgets developed, to replace the existing system that is purely based on statistical data, to better reflect human needs. The **Estonian** team indicates that the methodology used has not been updated in 10 years. Actually, the absolute poverty line is used as a reference for MI policy. In **Latvia** until recently out-of-date reference budgets were used and the development of a new methodology based on a minimum consumption basket has failed. The **Lithuanian** team notes that reference budgets that determine a minimum level of consumption are used to assess the MIS, determine benefit levels and monitor poverty. The **Hungarian** team states that reference budgets measure only a minimum of subsistence and there are plans by the statistical office to measure absolute poverty. The **Romanian** team states that the monthly minimum consumption basket was recalculated in 2016; however, it is not officially used and social benefits including MI are way below that level.

The **Austrian** team sees reference budgets as useful instruments in assessing welfare services, in helping to understand what people actually need to live in dignity. However, the budgets are not a part of the public debate yet. The **Belgian** team notes that reference budgets are used by certain public centres for social welfare and finds them interesting to assess adequacy of social minima.

The **French** team is enthusiastic about the new reference budget that was developed in 2017 and will be published in 2018, as it is considered as a useful instrument to assess benefit levels and increase access to social services. In **Luxembourg** the government expected that the newly developed reference budget would be below the AROP, but it turned out to be higher. The team finds it a useful tool to both assess benefits and to remedy the situation of

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over-indebtedness. In **Malta**, Caritas commissioned an initiative to develop adequate budget standards for different family types. They use it in their advocacy for decent incomes and to defend affordability and accessibility of services. The **Croatian** team indicates that reference budgets were used by trade unions to evaluate wage levels.

In **Finland and Iceland**, reference budgets are used by academics to evaluate the adequacy of social benefits, including MIS and to help define the poverty threshold. Poverty organisations use it as an advocacy tool to improve the level of income. The **Irish** team indicates that reference budgets in their country are widely used in the debate on income needs, including across governmental departments; however, they are not used to determine the level of MI. NGOs use them to campaign for both decent MI as for living wages at work. Also in the **UK** reference budgets are broadly used by civil society organisations in their advocacy on child poverty, the living wage and adequacy of MI as well as wages. It was also used to assess the robustness of the poverty threshold, especially when it decreased during the crisis. It is not officially used by governments.

The **EMIN1 synthesis report**<sup>39</sup> shows that several national teams refer to the necessity to use reference budgets for different purposes: to test the robustness and adequacy of minimum income, to contextualise the 50% and 60% AROP thresholds, to determine the level of minimum income or to stimulate the debate around adequacy of minimum income. It is therefore key to establish solid linkages between the new preparatory action and the results of the reference budgets project, to further disseminate the findings and to promote the use of reference budgets for policy purposes. In Finland, an internationally exceptional piece of legislation entered into force in 2010: the law requires the Finnish Ministry of Social Affairs and Health to commission an evaluation of the development of the adequacy of basic social security from an independent evaluation group. The first report 2015 found that "the level of Finnish basic social security improved but low". The next evaluation will be published on 2019 before the general elections and the establishment of a new government. The evaluation is partly based on reference budgets. Practices such as these independent evaluation laws could be encouraged in all countries.

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<sup>39</sup> Anne Van Lancker, Towards adequate and accessible Minimum Income Schemes in Europe, Analysis of Minimum Income Schemes and roadmaps in 30 countries participating in the EMIN project, Synthesis report, January 2015, p.26

### Basic income: a 'new' kid in town.

At the moment of the start of this EMIN2 project, the discussion on the introduction of a basic income is again gaining momentum. The idea is not new: it has already been tested in Canada, USA, Namibia. Experiments on micro scale are being conducted in Finland, Barcelona and the Netherlands under the umbrella of basic income, even if these experiments have more to do with reducing conditionality in existing benefit schemes. Also politically basic income has its protagonists: during the French Presidential elections Benoit Hamon defended the idea of introducing a basic income for young people. Basic income proponents come from many different positions in the political spectrum, ranging from free-market libertarian thinkers such as Friedman and Hayek, to left wing thinkers such as Guy Standing, Phillipe Van Parijs or Robert Reich. In an EU-wide poll 64% of the population were in favour of a basic income, but in a recent referendum in Switzerland, the population finally rejected the idea.

The UN Special Rapporteur on extreme poverty and human rights, Philip Alston, in June 2017 produced a report<sup>40</sup> with the aim to reflect on the desirability of advocating a basic income approach to social protection when viewed from the perspective of international human rights law. But to date, no country has a basic income in place as a principal pillar of income support for the working age population.

The growing interest for basic income can be explained by the search for simple and accessible income support, in times of growing insecurity due to technological transformation, rising inequality, atypical forms of employment and risk of job losses, but also because of unsatisfactory safety nets such as minimum income support, that in many countries have become more selective, and conditional, with incomplete coverage of people in need, low take-up rates, shame and stigma as result of restrictive policies.

EMIN has not taken a definite position in the debate on basic income. This chapter has as purpose to contribute to remedy the confusion that is often made between minimum income and basic income, to bring some clarifications to the discussion and to raise some questions on the underlying principles in basic income proposals.

According to the official **definition** as formulated by the Basic Income Earth Network (BIEN), basic income is *“a periodical cash payment unconditionally delivered to all on an individual basis, without means-testing or work requirements”*. The introduction of such an unconditional income support for all is in most of the scenarios, financed by abolishing existing types of social cash benefits and allowances. Other scenarios prefer to introduce a basic income as a form of social floor to all existing benefits and keep additional social benefits as top-ups. In almost all scenarios, extra-costs are to be covered through increased VAT or direct taxation.

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<sup>40</sup> UN General Assembly, Human rights Council, 35<sup>th</sup> session, 6-23 June 2017

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Basic income is **universal**: the aim is to replace complex welfare systems by one simple system with no selection criteria, and the same payment for all. EMIN strongly defends the principle of progressive universalism, that is based on the idea that benefit systems should be designed as universal as possible, whilst at the same time more support should be granted to people who need it most. Therefore, EMIN questions whether giving the same benefit to rich as well as poor people, to working people as well as unemployed, is fair? Especially the scenarios where basic income is financed by replacing all existing benefit schemes, seem particularly unfair, even in cases where progressive taxation systems effectively take back part of the basic income payment from higher earners. Introduction of fairer tax system that make rich people contribute more to the general budget is an objective that is shared by EMIN. However, given the general character of basic income, the required effort makes the tax increases considerably higher.

There is a growing interest in simple and accessible forms of income support. Social safety nets such as minimum income benefits are often less accessible because of the conditionality attached to the schemes, because of incomplete coverage and non-take-up. Basic income is **unconditional**: there is no conditions linked to the reception of the benefit, which avoids the social and economic costs of complex means testing or other elaborate conditions for benefit receipt. However, if Basic Income is at a low level there would remain the need for additional income support schemes for people with low incomes, in order to deal with different sometime complex situations people are facing. In these scenarios that foresee top-ups with additional income support, the advantage of simplification of existing benefit systems is abandoned.

There also is no obligation to work in return to access the benefit. Sometimes basic income is even presented as solution for declining job opportunities, due to technological evolution. According to the proponents of basic income, one of the advantages of the system is that no pressure exists to accept poor quality jobs. This emancipating possibility is only possible when Basic Income is at a relatively high level. Low levels of Basic Income might become subsidies to top up poor wages. Critics of the system also argue that Basic Income may justify the proliferation of precarious jobs, since the incentive to limit job insecurity will get lost due to the guaranteed income support of basic income.

If authorities are already granting all people the basic income benefit, the question arises if this doesn't increase the risk that less efforts will be done to ensure all people access to decent jobs, and that less qualified people are left behind. EMIN defends the position that having a decent job still is a key way of escaping poverty and that adequate MISs should be combined with access to inclusive labour markets and to quality (social)services, to enable them to fully participate in society. The question arises if introducing basic income would not push many groups in society out of the labour market, especially people with low skills, women and young people. The need for decent work or active citizenship is an important social need that should be fulfilled with a view of adequate social participation, defined as adequately playing social roles with a view to belonging and contributing to society<sup>41</sup>. The risk exists that, by giving all citizens and income, public authorities will no longer feel obliged

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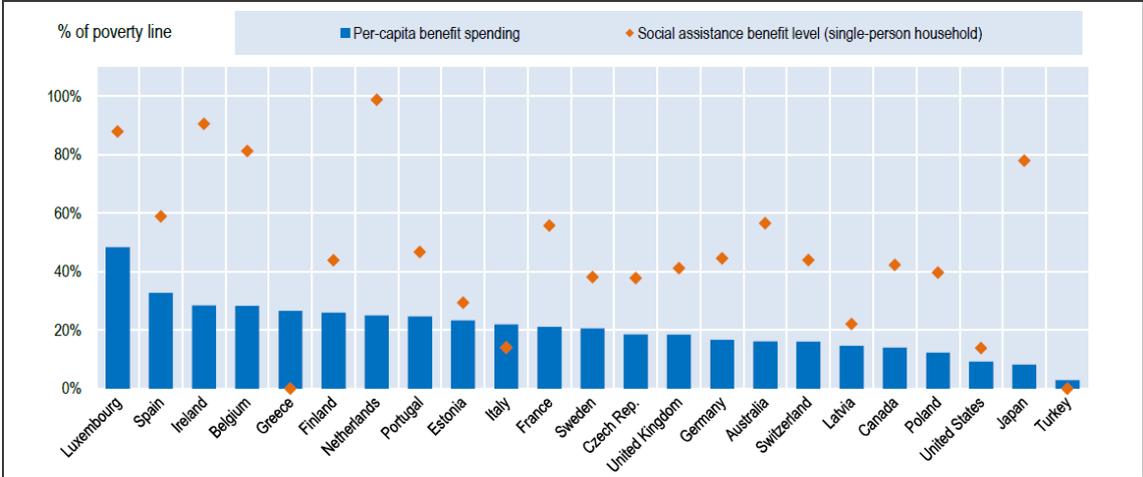
<sup>41</sup> This was learned out of the discussions in the focus groups in 24 EU Member States, on the theoretical framework underlying the development of cross-national comparable reference budgets in the pilot project, See Goedemée et al, p.35

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to provide good quality services and citizens would be expected to buy their services on the private market. But access to good public services is key in ensuring equal opportunities for all and support vulnerable people.

With regards to the question of **affordability**, a recent OECD publication<sup>42</sup> shows that implementing a basic income scheme by replacing all existing spending on benefits for the working age population and to spread it out equally as a flat-rate amount over the population, would be very much lower than the poverty line of a single individual. The OECD study concludes that without additional taxes, a budget-neutral basic income would be very far away from eradicating poverty, and a basic income set at the poverty line would be very expensive.

**Figure 8: Non-elderly benefit spending per capita and social assistance amount for a single person without children as a % of the poverty line, 2013**



**Source: OECD policy brief p.3**

Introducing a basic income while leaving important existing benefits in place would limit losses among current benefit recipients, but would also cost much more. The OECD study suggests to lower basic income amounts to levels substantially below guaranteed minimum income standards, while leaving larger parts of existing benefits in place, which would be fiscally more realistic and would make existing social protection more universal. But in this scenario, basic income would no longer provide significant income protection on its own and it would not represent a complete solution to coverage problems arising with current social protection schemes.

Calculations for Belgium show that a basic income set at 1000€ for all adults would cost 100 billion €, or 25% GDP, compared to raising all minimum incomes to 60% AROP which would cost 1.24 billion€ or 1.4% GDP<sup>43</sup>.

<sup>42</sup> OECD, policy brief on the future of work, Basic income as a policy option: can it add up? May 2017  
<sup>43</sup> Calculation Belgian Court of Auditors, 2009

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*Table 5: Comparing the main characteristics of minimum income and basic income*

	Minimum Income	Basic income
Periodicity/One-off payment	periodic	periodic
Cash or kind	cash payment	cash payment
Individual/household	based on household composition	individual
Age requirements	For all adults of working age Minimum pension in most countries as separate benefit Additional child benefits	For all adults of working age In some scenarios also young adults; in some scenarios also pensioners. Most scenarios foresee additional child benefits
Residence/nationality requirements	All legal residents	(most scenarios) all legal residents
conditions	Willingness to work and/or participate in activation measures	unconditional
Income/ property	Means-tested: lack of financial resources, no work or insufficient wage, no social benefits or rights to entitlements exhausted, limited assets. Sometimes on top of wages or social protection benefits. Mostly topped up with additional support for specific needs	No means test: BI granted regardless income or property. Can be combined with wages. Sometimes replacing part of social benefits, as a 'floor'. In some scenarios topped up with additional benefits

Although there are many differences in policy objectives between the proponents of a universal basic income and the EMIN ambitions for adequate, accessible and enabling minimum income schemes, it is important to focus on the **common challenges** that both movements are facing: ensuring the right to decent income for all people that enables them to live a decent life and to fully participate in society, reducing inequality and increasing tax justice, more social justice in welfare systems and administrative simplicity of income support schemes, with less conditionality, avoidance of complex means testing or other elaborate conditions, red tape and bureaucracy attached to the receipt of benefits, elimination of all stigma and shame.

To echo the UN Special Rapporteur, the debates over social protection floors and basic income have to be brought together. They have vastly more potential if their synergies are recognized than being ignored. In any case, the human rights community has to increase its offer in response to the profound challenges associated with economic insecurity: the human rights to an adequate standard of living, to work and to social security have to come much higher on the policy agenda.

### Minimum Income and Minimum Wages

In line with the active inclusion strategy, most experts argue that, to facilitate transition to the labour market, the level of (minimum) wages for people working full time should be higher than income from MI schemes, although practises in countries are different with regards to the wedge between MI benefits and minimum wages.

Minimum wages act as 'glass ceiling' for social assistance. In order to effectively reduce poverty, Member States raise minimum income packages, as well for working as for non-working households, while at the same time they have to avoid unemployment traps.

**Cantillon et al**<sup>44</sup> compare the performances of different EU Member States with regards to the adequacy of their minimum income guarantees for jobless and for working lone parent households. To do this, they bring together social indicators related to the level of net social assistance, gross and net minimum wages, compared to the poverty threshold at 60% of the median income, the gross-to-net-effort for minimum wages and the wedge between net social assistance and net income at minimum wage level, thereby showing the incentive for minimum income beneficiaries to take up work. Based on the combination of these indicators, they distinguish **three types of countries** with regards to their performance on minimum income levels: a group of **high road** countries where net income protection for in- and out-work lone parent households are above the at-risk-of-poverty threshold (IE and DK only); a **middle road** group where the guaranteed net minimum income package for working lone parent households exceeds the poverty threshold, but social assistance income protection is inadequate (UK, CZ, PL, NL, DE and FI); and a **low road** group of countries where as well in- and out-work minimum income packages are inadequate (all the rest).

Within these groups of countries, significant differences exist with regards to the **trajectories**. In the high and middle road countries, there is one country, **Ireland**, with relative high minimum wages, high gross-to-net efforts, high work incentives, adequate incomes for working and jobless households. Starting from far lower minimum wages, the UK and the Czech Republic also combine high gross-to-net efforts with substantial financial incentives, but only realize adequate incomes for working families. In Poland, a substantial effort tops up a high gross minimum wage to an adequate net disposable in-work income, but this is combined with very low social assistance benefits, leading to very high financial incentives.

Other countries in the high and middle road combine high gross minimum wage, moderate efforts, adequate incomes for working households with low work incentives resulting in a relatively high social floor: this is the strategy pursued in **Denmark**. Less generous variations of this type can be found in the Netherlands, Germany and Finland, where somewhat lower minimum wages are topped up to above the poverty thresholds through modest gross-to-

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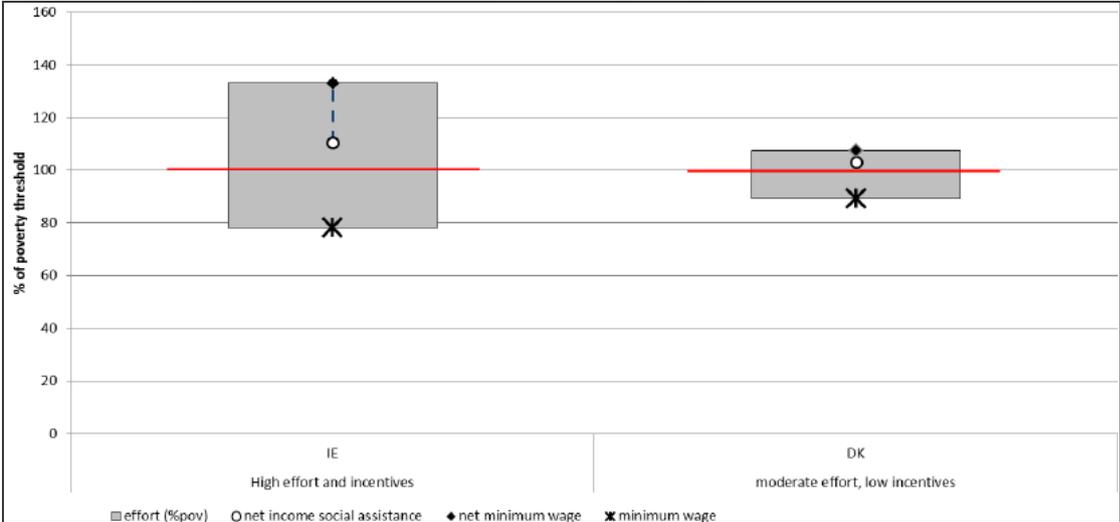
<sup>44</sup> Cantillon, B., Marchal, S. & Luigjes, C., Decent incomes for the poor: which role for Europe? ImProVE Working Paper No. 15/20 November 2015

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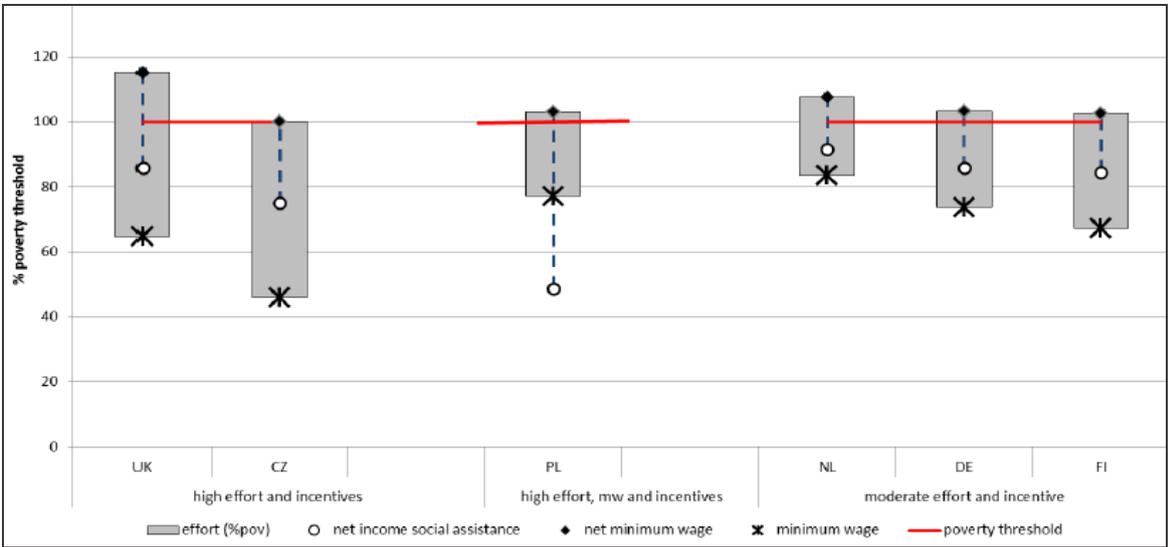
net efforts. Inadequate social assistance benefits leave room for some modest financial incentives.

*Figure 9: Balance of minimum income protection packages, relative to at-risk-of-poverty threshold, lone parent with 2 children, 2012*

## High road: Adequate minimum income protection packages in- and out-of-work



## Middle road: adequate minimum income package for a working lone parent family, inadequate out-of-work protection

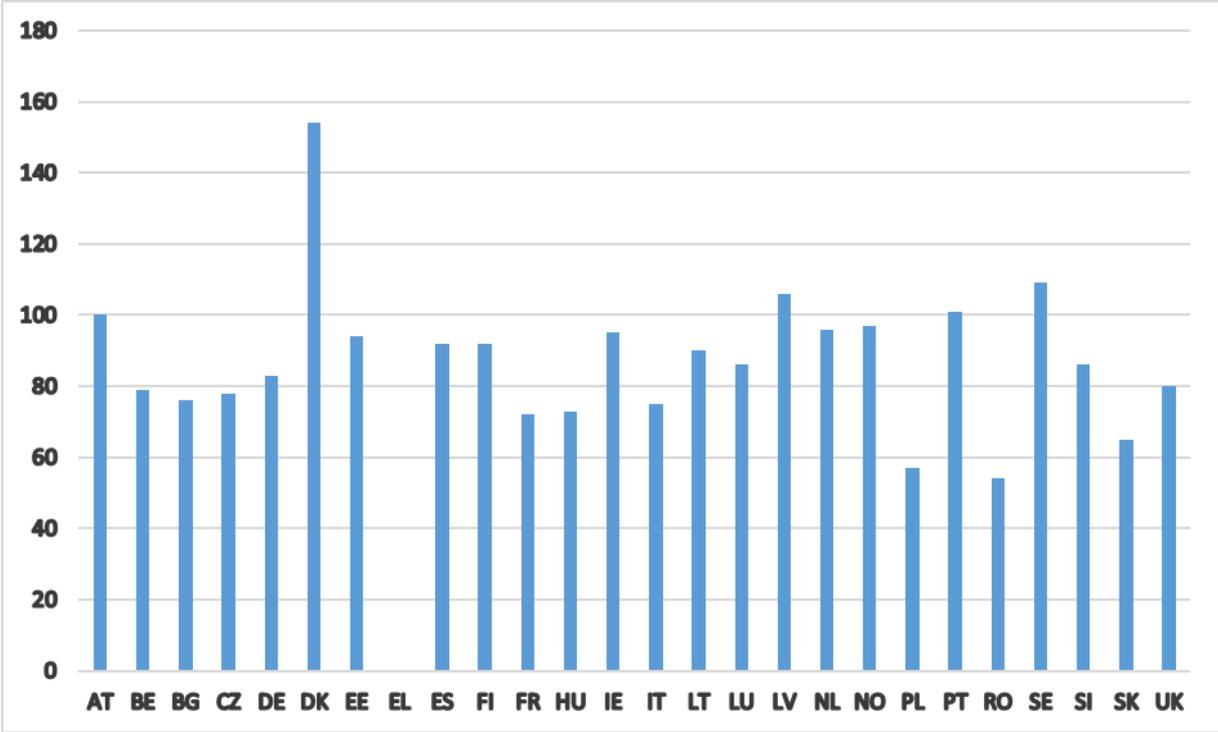


Source: Cantillon, B., Marchal, S. & Luigjes, C., Decent incomes for the poor: which role for Europe?

In practice, in most countries and for most family types, MI benefits fall far behind minimum wage levels. For instance, for a single person in the worst performing countries (BG, PL, PT, RO) the level of social assistance benefits relative to net income at minimum wage is between 21% and 36% whereas in the best performing countries (AT, CZ, DK, EE, IE, LU, NL) it is between 73% and 88%.

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Figure 10: Social assistance relative to net income at minimum wage, couple with two children, 2015



Own graph based on data from the ESPN study on Minimum Income in the EU 2015

Interesting is also to explore **how systems of minimum income and income from employment can be combined**. The **EMIN synthesis report**<sup>45</sup> finds that in many countries the inability to find work is an integral part of the definition of the purpose of MIS for people of working age, since this is a reason for people’s inability to guarantee an adequate standard of living through their own efforts. Some countries introduced measures into their MIS, distinguishing people unable to work from those who can work (DE, HU, IE, UK). Others also developed complementary assistance schemes geared specifically towards jobseekers to supplement contribution-based unemployment benefits, particularly near the end of the entitlement period (EE, ES, FR, IE, MT, PT, UK). In many countries MIS benefits are granted also to people with insufficient income from work or social security benefits (AT, BE, BU, CY, CZ, DK, EE, ES, FI, FR, LT, LU, MT, NL, PL, PT, RO, SE, UK).

The **ESPN report** on minimum income in Europe<sup>46</sup> finds that in many countries there are a variety of arrangements to ease transitions from MI benefits to employment. In particular, for the EU, these include:

<sup>45</sup> Van Lancker, A., Towards adequate and accessible Minimum Income Schemes in Europe, Analysis of minimum income schemes and roadmaps in 30 countries participating in the EMIN project, Synthesis report, January 2015

<sup>46</sup> Frazer, H. and Marlier, E., Minimum Income Schemes in Europe, A study of national policies, January 2015

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- provision of in-work benefits so that take-home income is increased by supplementing earned income with benefits (e.g. BE, ES (Basque Country), FI, IE, MT);
- partial disregard of earnings from means testing (sometimes for a fixed period) (e.g. CY, CZ, DE, EL, ES (Galicia), LU, NL, PT, RO, SE, SI);
- tapered withdrawal of benefits over time (e.g. HR, IE, MT) or continuation of all or a percentage of MI benefits for a fixed period (e.g. LT, PL).

**Table 6: The extent to which MI schemes cover people in employment as well as those out of work**

Out of work only	Almost exclusively out of work but in some very specific cases in-work as well	In and out of work
HU	DK HR IE LI MT PT SK	AT BE BG CH CY CZ DE EE EL ES FI FR IS (but mainly out of work) IT (all 10 schemes*) LT LU LV MK NL NO** PL RO RS SE SI UK

\* For the 10 Italian schemes: See Table 1.  
 \*\* In principle, in Norway MI benefits can top up work income, but this very rarely happens in practice because MI recipients have no incentive to supplement MI with work income.

**Source: Frazer, H. and Marlier, E., *Minimum Income Schemes in Europe, A study of national policies*, January 2015**

### Minimum Income and Active Inclusion

With regards to the question **how to reconcile work, social redistribution and poverty reduction**, **Bea Cantillon et al**<sup>47</sup> observe that in many countries the poverty alleviation function of social protection (including of minimum income benefits) has come under pressure, amongst others as a consequence of their choice to develop more work-oriented benefits in order to make work more attractive. On the basis of their analysis, the authors conclude that “the experience in the EU before the crisis is indicative of tough trade-off inherent to “active inclusion” strategies that should not be taken lightly”. They find that differences in social redistribution are considerable between countries. The Scandinavian countries provide the example of how low poverty, high employment and economic performance can be combined with a strong social redistribution. They also note that poverty is clearly more prevalent among jobless households. Guaranteeing adequate minimum incomes to the groups of work-poor households is possible if the policy design is effective and provided that genuine activation measures, adequate wages and an appropriate level of redistribution are in place. The simulations in their article also show that although active labour market policies should play an important role in poverty reduction in Europe, adequate income schemes and social redistribution remain important instruments for improving the performance of the welfare state. Finally, they find that social budgets play an important role: there is a negative correlation between spending levels and poverty reduction, which means that poverty reduction clearly requires important efforts. However, design and distributional structure of social programmes play an important role, since some countries achieve much lower poverty rates despite similar social spending levels.

The researchers find that the cost of introducing adequate minimum income protection defined at 60% of median income, would be considerably reduced if countries would be able to devise successful activation policies and push down their number of work-poor households to the level of the best performing countries (Sweden, Lithuania, Estonia and Slovakia: average = 7.8%). However, they also find that in Spain, Romania, Lithuania, Estonia and Latvia, the poverty gap would remain large even if the share of families with low-intensity were to be reduced to 8%, because the poverty gap in those countries mainly reflects the inadequacy of their income protection arrangements.

In almost all countries, the receipt of social assistance benefits is dependent upon job-search and being available to take up work. **Crepaldi et al.** illustrates that a clear trend in all EU Member States is the increasing conditionality which links benefits to participation in activation programmes or to work acceptance. The report gives a detailed overview of the provisions related to activation in all countries<sup>48</sup>. In all countries non-compliance with the obligation to actively look for work can result in sanctions such as denying access, temporary suspension or even exclusion from the benefit.

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<sup>47</sup> Cantillon, B., Van Mechelen, N., Pintelon, O., and Van den Heede, A., Social redistribution, poverty and the adequacy of social protection, in Cantillon, B., and Vandebroucke, F.(eds), Reconciling work and poverty reduction. How successful are European welfare states? Oxford University Press, 2014, p. 157-184

<sup>48</sup> Crepaldi et al, 2017 p. 76-80

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In the **national reports of the EMIN2 project**, teams reflect on the linkages between MIS and willingness to work and activation strategies. In **Austria**, MI benefits can now be granted also to adults in training and apprenticeship. But the country also introduced an obligatory community service and stricter sanctions related to willingness to work. In **Belgium** there is stronger social and professional activation for MI beneficiaries: the individual plans for social integration, previously only for young people, now also apply to adults. In **Bulgaria**, an obligation to participate in public works was introduced, at a rate of 24€ per month as extra social assistance. Also the **Czech Republic** introduced the obligation to participate in public work for some extra benefits.

In **Lithuania**, MI can now be combined with income from low-intensity work and training benefits; at the same time benefits are more linked to willingness to work and to participate in socially useful activities organised by municipalities. Equally in **Romania** the link with the labour market is strengthened and part of wages are exempt for calculation of the revenue of potential MI beneficiaries. The team from **Cyprus** sees positive developments through increased opportunities for training and employment experience for MI beneficiaries.

The **Danish** report sees a political discourse dominated by the ‘it shall pay to work’ parole, where job centres are used to control unemployed people, but there is a lack of job opportunities for people on MI benefits. In **Estonia**, plans were worked out to better motivate MI beneficiaries to work and increased efforts are being deployed to enhance work opportunities for people with decreased work abilities. At the same time sanctions for people who do not comply with their individual activity plan are made stricter. **Finland** has introduced stronger conditionality related to willingness to work. Also in **Iceland** there is now more focus on willingness to work, while at the same time access to services has been improved. In **Portugal**, employment measures have been more oriented to groups most affected by unemployment such as young people and long-term unemployed. There is also more emphasis on training opportunities. The **UK** reports states that conditionality linked to willingness to work has strongly increased, while at the same time austerity measures have seriously limited access and quality of services for job-search, training, personalised support and health care.

In its analysis on inclusive labour markets, **EAPN** finds that there is an increasing trend of negative activation in Europe<sup>49</sup>: there is tighter eligibility for social protection as well as conditionality, such as community work or work experiences in exchange for benefits, and sanctions, reducing or withdrawing financial support. This confirms the statement in the **EMIN1**<sup>50</sup> report that reforms in welfare systems, including of MISs, aim at stimulating take-up of jobs or education through reductions in expenditure in social assistance, justified by ‘make work pay’ arguments, whereas many reports show that the level of MI is most often not the reason for benefit dependency, since benefits are much too low to live on. In many countries the obligation has been introduced to take up public work, even when there are clear indications that such workfare approaches are often humiliating, give no access to fair employment conditions, social rights or pay and don’t increase people’s chances to return to the regular labour market but lock them in dependency. Teams in the EMIN1 project

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<sup>49</sup> EAPN, Inclusive labour markets, Building pathway approaches to quality employment, January 2017

<sup>50</sup> Towards adequate and accessible MISs in Europe, p.17-19

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signalled that the real reasons for the limited success of activation strategies lay elsewhere: active labour market measures often are not accessible or effective for MI beneficiaries. They also complain about the lack of capacity of job centres or case managers to help vulnerable people with complex problems. Generally, a lack of availability of accessible jobs for MI beneficiaries is a serious obstacle to ensure active inclusion.

Instead of 'employment only' punitive approaches, EAPN pleads for a 'social activation' perspective for people furthest away from the labour market. EAPN also finds that well-conceived active inclusion strategies should aim at encouraging the provision of pathway personalised approaches for people to support them in accessing decent and sustainable employment. Such a strategy should temper aggressive activation programmes that operate mainly through increased sanctions and conditionality for benefits, offering low quality jobs with little regard to people's personal situations and barriers to employment.

**Bouget and Vanhercke**<sup>51</sup> note that employment and social services are rarely defined as social rights, laid down in binding legal instruments. They also found that very few countries have defined minimum activation and social services standards. That has its consequences for long-term unemployed persons. In their study on national policies for the integration of long-term unemployed, **ESPN experts**<sup>52</sup> record that in many countries, activation and active labour market policies are mainly concentrated on unemployed persons with shorter spells of unemployment. As regards the effectiveness of activation services, ESPN experts are of the opinion that only in 6 countries, services are very good (AT, HU, IS, LU, MT and NO); in 15 countries they are rated as weak (BG, EL, ES, FR, HR, IT, LT, MK, NL, PT, RO, RS, SI, SK and TR); the rest is rated as moderate. Experts formulate challenges to improve effectiveness of activation services for long-term unemployed: poor quality and range of services available, lack of tailoring of services to their needs, low coverage of activation services and low proportion of unemployed people benefitting from them, failure to sufficiently target those most in need, lack of coordination, insufficient focus on the labour market and too strong focus on public work, problems with conditionality. Contrary to the discourse on horizontal coordination of services and integration into one-stop-shops, the experts point at the fragmentation between employment services, social services and institutions that provide income support. Only in 3 countries (LI, NO and IS) experts consider the coordination as good; in 13 it is considered weak (CH, CZ, EL, HR, HU, IT, LT, PL, PT, RS, SE, TR, UK); the rest is seen as moderately coordinated. Only a small group of countries provide individualized support and well developed and personalised services to meet the needs of long-term unemployed (IS, LI, NL); 9 countries are still very weak (CY, CZ, EL, ES, HR, IT, MK, RO and TR).

The ESPN experts also note that there is often insufficient focus on the demand side and creating enough sustainable and good quality jobs which are accessible to the long-term unemployed. They recommend the development of individual action plans covering activation measures combined with personalised integration contracts addressing social and health needs of people facing complex obstacles to accessing the labour market. These plans should ensure that good quality activation measures are available for all long-term

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<sup>51</sup> Bouget d; and Vanhercke B., Tackling long-term unemployment in Europe through a Council recommendation?

<sup>52</sup> Bouget et al, Integrated support for the long-term unemployed in Europe, 2015

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unemployed and complemented by effective access to high quality services and to adequate income support according to the active inclusion approach.

In the **follow-up exercise on the Active Inclusion Recommendation**<sup>53</sup>, the European Commission indicates the major initiatives at EU level in support of active inclusion: the Social Investment Package and the recommendation on investing in children, the Youth Guarantee and the Youth Employment Initiative, the Council Recommendation on the integration of Long-term unemployed in the labour market, and the European Pillar of Social Rights, including the right to Minimum Income and of access to services. The document points to the main EU measures to help enforce the strands of the active inclusion recommendation: the Europe 2020 strategy, but especially the European Semester, with its Annual Growth Survey, Country Specific Recommendations and Country Reports. It also mentions the work of the SPC with annual reports and peer reviews, and signals the exercise of the indicators subgroup on developing indicators to assess challenges and progress on adequacy, coverage and take-up of minimum income support. Finally, the document puts emphasis on the financial support given through EU funds such as the ESF (20% earmarked for social inclusion), the ERDF, the EFSI, the EIF and AMIF, Progress and EaSI and FEAD.

The document prides some lessons learnt:

- the importance of integration and comprehensiveness across all three strands
- a sharper focus on adequate support for the social inclusion of people who cannot work (through resources and social participation)
- the need for close cooperation among the stakeholders, at local level and beyond, and for the active involvement of all relevant partners (social partners and civil society organisations)

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<sup>53</sup> COMMISSION STAFF WORKING DOCUMENT on the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market, 26 April 2017, SWD(2017)257 final

### The European Semester and Minimum Income

Until today, the main tool at EU level to influence Member States policy regarding minimum income is through the European Semester. EAPN and its members regularly assess progress in the fight against poverty and social exclusion through the instruments of the European Semester. The following section is entirely based on their recent assessments of the 2017 Country Specific Recommendations (CSR) and the National Reform Programmes (NRP).

In recent years, improvements were made with regards to references to social policy and poverty assessments through the Country Specific Recommendations, the Country Reports and the Annual Growth Survey (AGS). But positive recommendations to improve adequacy, coverage or take-up of MIS are still too weak and there is a general lack of coherence with the analysis and recommendations that are merely austerity oriented.

In its assessment of CSRs 2017<sup>54</sup>, EAPN is of the opinion that the CSRs 2017 were launched with a more positive social rhetoric and a notable attempt to rebalance the economic objectives in the presentation. The overall Communication calls for economies to become more “competitive, resilient, inclusive and innovative”. For the first time, reference is made to ensuring a fair distribution of the benefits of growth and that reforms must ‘foster social justice, mitigate income inequalities and support convergence towards better outcome. Social priorities and consequences should be taken into account.’ Social Investment is explicitly called for in social infrastructure, education, early childhood education and care, and lifelong learning. The European Pillar of Social Rights is explicitly mentioned, with the principles to be monitored through the European Semester. The Europe 2020 strategy and the 2030 Sustainable Development Goals will also be ‘fully integrated into the Semester’. There is also a new focus on income inequality and need to combat high levels of poverty, giving assurances that they will be central concerns when designing policy reforms and monitoring their implementation, and a recognition of need for comprehensive strategies including progressive tax and adequate benefits.

But EAPN also questions whether the 2017 CSRs really reflect this change in approach.

#### ***More emphasis on poverty and decent MIS...***

On **poverty in general**, according to the Commission there is a significant number of so-called ‘**Poverty**’ CSRs in 2017, but there is little coherence. **11 MS** receive so-called CSRs on ‘poverty’ (**AT, BG, EE, ES, HR, IE, IT, LT, LV, RO, SI**), a status quo compared to last year. These are generally the countries with the highest poverty risk. However, the inclusion of relatively low risk countries like AT and SI seems inconsistent, 9 particularly when two countries miss a CSR on poverty despite high poverty levels (in PT and IE). It is not always easy to understand the criteria used for assigning these as ‘poverty’ CSRs nor to see how they will reduce poverty.

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<sup>54</sup> EAPN, More Social Europe in the European Semester? assessment of Country-Specific Recommendations 2017, Brussels, June 2017

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On **Minimum Income and Social Protection** more specifically, the CSR 2017 show a sustained priority to adequacy of minimum income but this priority is undermined by demands for rationalization of social protection systems. In 2017, 6 Member States receive CSRs on minimum income (**BG, EE, ES, LV, LT, HU**) but leaving behind other countries where a universal measure of minimum income is still missing (IT). 5 of these include an explicit focus on **adequacy (BG, EE, LV, LT, HU)**, and 3 on **coverage (BG, HU, ES)**. In the preamble, more specific details are given highlighting real concerns around the levels and the impact on poverty e.g. around the need for safety nets to **keep pace with growth (EE)**, or the shortcomings and **lack of improvements** in adequacy levels since 2009 (**LV**), the **low role of transfers** overall in reducing poverty (**LT**). In other countries, adequacy is not mentioned, but fragmentation and **lack of coordination** is (**ES**). In **Romania**, no mention of minimum income is made in the CSR, but the preamble mentions the adoption of a new minimum income with implementation in 2018, and the need to link 'passive support' with active labour market measures. More welcome attention is drawn to the overall **underspend on safety nets** and social protection (e.g. LT – highlights low role of transfers in reducing poverty, and plan to increase minimum income, as well as index pensions). In **Croatia**, the inadequacy of social protection is highlighted, and particularly the low investment in minimum income only 0.6% of GDP. Specific mention is also made of the low duration of unemployment benefit in the CSR (Hungary), proposed also by EAPN Hungary. But overall in the CSRs, social protection is still mainly seen as a cost. The focus on social protection is more on efficiency and sustainability, including the emphasis on better coordination.

In many cases the attention for adequate minimum income is also undermined by priority given to budget sustainability, consolidation of social protection benefits or increasing targeting and focusing of support on those most in need. The EAPN assessment is also concerned by the low priority that is given to access to key services, although some more attention goes to improving quality of services. In the approach of target groups in the CSRs, the focus is on education and employment, not on adequacy of income.

As almost no minimum incomes schemes in the EU actually take people out of poverty, EAPN continues to expect CSRs on adequacy of minimum income and other income support benefits for most countries, including issues of low take-up. It is also crucial to end continuing austerity which attacks minimum income and social protection budgets, as well as damaging growth.

### ***Poverty and the poverty target still not being taken seriously by Member States***

In their **2017 National Reform Programmes**, nearly all Member States include a specific section analysing progress on the poverty target in response to the Commission's guidance. But EAPN members<sup>55</sup> highlight the predominant focus on macroeconomic priorities in the NRPs, with social concerns too often side-lined and with low visibility of the poverty target of the Europe 2020 strategy. Although some members see a more explicit social narrative in some countries with more attention to poverty and social exclusion, the majority of members are disappointed about the limited role of the NRPs, that are not seen as an

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<sup>55</sup> EAPN assessment of NRP 2017 (October 2017) <http://www.eapn.eu/wp-content/uploads/2017/09/EAPN-2017-EAPN-Report-Assessment-National-Reform-Programmes-1323.pdf>

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opportunity to develop an action plan to achieve the poverty target. EAPN teams point to the general overall **lack of seriousness around poverty reduction**, both in terms of **setting inadequate poverty targets and inadequate policy responses**, particularly to urgently deal with the crisis facing people in poverty. The continuing problem of **inconsistent setting of national targets** continues to undermine the coherence of the Europe 2020 poverty target delivery. There is a wide variation of the approaches towards delivery on the poverty target. This underlines the problem of the lack of a clear, consensus on an integrated rights-based strategy at EU and national level to fight poverty and social exclusion. Where poverty has been reduced, there is little critical analysis of the real impact and for specific groups.

In a few countries, the 'poverty' targets have already been met (DE, CZ, RO and PL); this is seen as due to the choice of the indicator or the unambitious target setting. Countries where increases are noted, fall far short of an urgent analysis of causes and solutions (BE, LT, CY, ES, EL and UK).

The majority of EAPN members see **few signs of social rights being mainstreamed** in the NRPs; only in a few countries there is some reference to rights (BE, PT, SE). They also indicate that jobs are seen as the main route out of poverty, regardless of the quality of the job or whether people are able to work or access the jobs.

### *Some improvements in adequate Minimum Income but insufficient to be called adequate*

**Adequate income support** was one of the areas that was given most attention in the Social CSRs in 2017. EAPN Members highlight a focus on minimum income, but with insufficient priority to adequacy, coverage and take-up, or rights-based approach (BE, CY, DE, DK, ES, IE, IT, FI, PT, UK). Some countries are investing in higher minimum income, but there are worries about still inadequate levels, increased targeting and conditionality (BE, CY, DE, ES, IT, LT, PT). The overall approach is on **increasing incentives to work**, often through more conditionality. In DK minimum income was lowered to make it more profitable to work. Positive developments were noted in FI and LT on take-up and FI started a 'basic income experiment' on a small scale, to test the impact reduced conditionality. However, EAPN teams ask for comprehensive impact assessments on these changes.

EAPN members are concerned about the **impact of 'reform of social protection'** on overall income support and living standards. The overriding objective is seen to be a drive towards cost efficiencies resulting in a rolling back of the quality and universality of social protection systems.

More focus is given to **access to services** such as education, childcare and employment services, but concerns are growing about access to health and social services, where in several countries the necessary investments are lacking.

EAPN teams signal some improvements with regard to references to **active inclusion strategies** in the NRPs, but only few countries have real personalised and integrated approaches. Overall, teams complain about the **lack of explicit rights-based integrated strategies to fight poverty** across the life course, based on access to quality services, good social protection and quality jobs, and linked to specific strategies for key target groups.

### The use of EU funding in support of the fight against poverty

The programming period 2014-2020 of the European Social Fund (ESF) marked a step forward in spending of EU funds for poverty. Earmarking of at least 20% gives the ESF a higher profile on social inclusion and poverty. A code of conduct on partnership strengthens the involvement of NGOs. The scope of intervention of the Fund for the most deprived (FEAD) is also extended to broader social inclusion activities. At the same time, the European Structural and Investment Funds (ESIF) regulations 2014-2020, with a stronger focus on social inclusion and poverty, provide a more favourable legal framework in support of policies to fight poverty and social exclusion. Ex-ante conditionalities are introduced around funding priorities through the operational programmes, based on integrated anti-poverty strategies.

**National EMIN2 reports** provide some recent information on recent evolutions related to the use of EU funds to support social inclusion. According to the **Austrian** report ESF money is still mainly used for general labour market integration initiatives, but with model projects that specifically target MI beneficiaries. In **Denmark** 20% of ESF is used for education of youth with special challenges, the development of career paths to the labour market and socioeconomic enterprises. However, the funds are not seen as sufficiently oriented to socially disadvantaged people. In **Latvia**, ESF is used to deal with social exclusion, through subsidized workplaces, social entrepreneurship, activation measures for long-term unemployed and ex-prisoners, improved social and health services and services to people with disabilities. In **Croatia**, Progress funds were used to improve the functioning of the MIS, through better coordination of different benefits. **Estonia** uses EU funds to support integrated services through case management networks for people with multiple needs; the work ability reform has also been supported with EU money. FEAD provides food aid. Also **Lithuania** used FEAD money to purchase food supplies and essential hygiene products for very poor people. However, the team thinks more should go to the provision of service. In **Slovakia** ESF projects finance community centres that give assistance to people in need. Food aid is provided through FEAD. In **Spain**, ESF is used for special programmes for employment, including of MI beneficiaries, run by NGOs.

**EAPN** has produced a report, based on contributions of 16 of their national networks, that monitors the implementation of the 20% of ESF earmarked for poverty more systematically<sup>56</sup> Almost all of the networks confirm that 20% of ESF is allocated to the fight against poverty, but most teams express concern about the quality of the implementation and impact on poverty. The main focus is on activation with unclear impact on people in poverty, rather than on broader active inclusion. Employment and training are key focus points, but quality of employment is not a priority. Although the majority of networks consider that an anti-poverty strategic framework is in place, most find these are not integrated active inclusion oriented. In general, the programmes have a wide range of target groups, but the networks find their implementation is weak.

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<sup>56</sup> EAPN, Barometer report, EAPN's monitoring the implementation of the 20% of the European Social Funds in the fight against poverty, March 2016

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In the majority of Member States, the code of conduct on partnership is in place, but there is generally a low level of engagement of NGOs and low satisfaction with the quality hereof. Only few networks confirmed a positive engagement which resulted in impact on the partnership agreement. Few networks confirmed that their inputs were taken on board with regard to the operational programmes. In all monitoring committees, NGOs are represented, but the quality of this participation is strongly contested.

On the basis of these findings, EAPN concludes that progress has been made in the use of EU Funding in the fight against poverty, but there still is much room for improvement, as well in the content of the policies as on partnership with NGOs.

### Conclusions

Although many countries are recovering from the economic crisis, inequality, unemployment and poverty are still at unacceptable levels in Europe at the start of this new EMIN project. Social convergence between countries has halted; particularly some of the countries in the Mediterranean and in Eastern Europe are facing huge difficulties to cope with poverty and social exclusion. People with low-skills, migrants, and jobless people suffer most from the persistent social crisis, but in-work poverty, child poverty and inequality has increased overall. The redistributive capacity of tax and social benefit systems is very uneven.

In a difficult political context influenced by Brexit, rising nationalist and populist movements, the migration crisis and the social consequences of the economic crisis, the European institutions are trying respond by a renewed emphasis on the necessity to give Europe a stronger social dimension. Especially the ‘socialization’ of the European Semester process and the launch of the European Pillar of Social Rights should contribute to put a greater focus on employment and social performances in Member States and to a stronger commitment to social rights in the European Union.

At the start of the project, all Member States have some kind of Minimum Income Schemes, including Italy and Greece who recently started introducing new schemes. But that doesn’t mean that countries’ MIS can be called decent. Research shows that only few countries improved the adequacy and accessibility of their MIS or have made efforts to reduce the complexity of their schemes. In many countries benefit levels were reduced, more conditionality was introduced, eligibility criteria were made more restrictive and benefit recipients were asked to ‘pay back’ their benefits through ‘community work’. The result is that only few countries have adequate levels of minimum income, compared to the poverty threshold; in many countries even the poverty reduction impact of MIS is limited. Coverage of MIS still has to be improved in many countries; especially young people, migrants, homeless people and also unemployed people who exhausted their right to unemployment benefits have difficulties accessing MIS. Non-take-up is a serious problem in many countries that is still not adequately addressed.

Against this background, this report sketches the contextual framework for the ambition of EMIN to contribute to the progressive realisation of adequate, accessible and enabling Minimum Income Schemes across Europe. It provides the backbones for an EU roadmap on the progressive realisation of adequate, accessible and enabling minimum income schemes that will guide our advocacy work in the coming period.

- The existing policy framework on minimum income at European Level can be reinforced through the launch of the **European Pillar of Social Rights**, if the Pillar will be implemented through an ambitious roadmap, using all possible instruments at European Level to realize the social rights: a socialized European Semester, targeting of EU funding but also hard law on the right to a decent minimum income for all. The European Parliament, The European Economic and Social Committee, the European Committee of the Regions all support the idea of and EU initiative on minimum income. Also our

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partners ETUC and Social Platform explicitly support our call for the adoption of an EU framework directive on adequate minimum income.

- **Reference Budgets** can be a promising tool in the fight for decent income standards, to build consensus in society of what is an adequate income, to monitor the social situation and for policy learning, to assess the actual level of social benefits and determine the necessary increases in benefit levels or reduce the cost of essential goods and services. This EMIN project aims at reinforcing the linkages between decent MIS and reference budgets.
- **Basic Income** is increasingly popular in times of growing insecurity due to technological change, rising inequality, precarious employment and because of inadequacy of the responses from traditional welfare systems, that are on the contrary often made more restrictive and conditional. Although EMIN has questions on some of the underlying principles in the basic income proposals, we want to focus on the synergies and common challenges regarding people's right to adequate income, social justice and participation in society.
- **Minimum Wages** often act as glass ceiling for improvements to MIS. In all countries reception of MI is conditional on willingness to accept work. At the same time, in-work poverty proves that there are problems with the quality of jobs and adequacy of wages, especially at the lower end of the wage scale. This makes our partnership with ETUC and joint advocacy for better minimum wages as well as decent MIS an important challenge.
- In all countries, MIS are embedded in an activation approach, linking benefits to job search. However, only few countries develop real **active inclusion** approaches including for the most vulnerable people, combining decent MI with access to quality services and inclusive labour markets. Exchange of best practices could contribute to make MIS in countries more enabling with regard to people's opportunities to participate in the labour market and in society.
- The **European Semester** provides the main tool to influence Member States' policy regarding minimum income; it's role will even increase in the framework of the European Pillar of Social Rights' delivery. However, to make that real evidence shows that the semester and its instruments will need to be made much more socially oriented, with more emphasis on the importance of decent MIS. Also the coherence with macroeconomic policy will have to be considerably improved.
- **EU funding** should support the attainment of social rights, including the right to decent minimum income. To achieve this, the allocation of 20% earmarked ESF funding should be done on the basis of a broader and more generous active inclusion approach. The partnership principle should be better enforced to ensure a meaningful engagement with civil society.

### Annex 1: EMIN position paper on the right to minimum income in the European Pillar of Social Rights.

At its meeting on 22 May 2017, the EMIN steering committee has developed its position on the right to an adequate minimum income in the Pillar.

#### **Text from the SWD accompanying the Communication on the European Pillar of Social Rights**

##### **Minimum income<sup>57</sup>**

**Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market.**

After a long period of consultations, the European Commission has published its communication establishing a European Pillar of Social Rights. We fully support the ambition of the Commission to ensure that the social pillar will be part of the efforts to launch a new process of social convergence within the Economic and Monetary Union and the EU more generally. The Interinstitutional Proclamation of the European Pillar of Social Rights should contribute to a firm endorsement of all rights enshrined in the pillar by all relevant European Institutions. We welcome the recognition of the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and to effective access to enabling goods and services, as part of the European Pillar of Social Rights.

Building on the existing 1992 Council Recommendation on minimum income and on the 2008 Commission Recommendation on active inclusion, a legally enforceable right to adequate and accessible minimum income benefits should help to deliver on the commitments to drastically reduce poverty and social exclusion in the framework of the Europe 2020 strategy and the 2030 UN Sustainable Development Goals.

The commitment of the Commission to use the Country Specific Recommendations within the European Semester can help to stimulate Member States to improve the adequacy and accessibility of their minimum income schemes. Benchmarking and exchange of best practices in areas such as the right to adequate minimum income, monitoring of progress supported by a new social scoreboard, including on the impact of social transfers on poverty reduction, and incorporated in the annual Joint Employment Report, will contribute to assess Member States efforts to deliver. However, we are convinced that only soft law will not be enough to effectively enforce the right to a decent minimum income. We therefore reiterate our ambition to come to legally binding measures through a European framework directive.

The explicit mention to adequacy of minimum income benefits is more than welcome and the Commission must commit to monitoring developments in relation to adequacy. For the

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<sup>57</sup> Commission staff working document accompanying the Communication establishing a European Pillar of Social Rights, SWD (2017)201 final

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European Minimum Income Network (EMIN), the proposed benchmarking exercise should develop a common methodology building on the agreed at-risk-of-poverty indicator of 60% of median equivalised income and the agreed material deprivation indicators, as national references, combined with a common EU-wide framework and methodology for reference budgets, to test the robustness of the level of minimum income and of the 60% threshold. In line with the active inclusion strategy, a positive hierarchy should be established between minimum income and minimum wages. Therefore, EMIN advocates raising minimum wages to at least 60% of national median or average wages.

In order to secure the long-term sustainability of funding for adequate minimum income, especially in countries under financial adjustment programmes, additional resources are needed to guarantee funding of all welfare provisions.

We are concerned with the narrow definition of incentives to reintegrate into the labour market, pointing only at the design of the benefit to preserve financial incentives to take up a job. The Recommendation on active inclusion rightly refers to the need for inclusive labour markets and access to quality services to provide minimum income beneficiaries a fair chance to take up a decent job.

The intention of the Commission to further use the European Funds to support the implementation of the rights in the social pillar and to use the pillar as a reference for the post 2020 financial programming period deserve our support.

We express the hope that the dialogue between the social partners and the civil dialogue at national and at European level will help to mobilise all social actors to effectively deliver the right for all to an adequate and accessible minimum income. The EMIN project is committed to contribute to this ambition.

In light of these reflections we propose a rewording of the Principle/Right to Minimum Income to bring it in line with the Active Inclusion Recommendation (2008), as follows:

### **Minimum income**

Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be **combined with access to quality services and inclusive labour market policies, to empower minimum income beneficiaries** to (re)integrate into **sustainable employment which can take them out of poverty.**

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### Annex 3: Definitions used in the EMIN Project

**Minimum Income Schemes** are defined as, income support schemes which provide a safety net for people, whether in or out of work, and who have insufficient means of financial support, and who are not eligible for insurance based social benefits or whose entitlements to these have expired. They are last resort schemes, which are intended to ensure a minimum standard of living for the concerned individuals and their dependents.

**EMIN aims** at the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes.

**Adequacy** is defined as a level of income that is indispensable to live a life in dignity and to fully participate in society. Adequate Minimum Income Schemes are regularly updated to take account of the evolution of the cost of living.

**Accessible** is defined as providing comprehensive coverage for all people who need the schemes for as long as they need the support. Accessible Minimum Income Schemes have clearly defined criteria, they are universal, non-contributory and means-tested. They do not discriminate against any particular group and have straightforward application procedures. They avoid:

- institutional barriers such as bureaucratic and complex regulations and procedures and have the minimum required conditionality,
- implementation barriers by reaching out to and supporting potential beneficiaries' personal barriers such as lack of information, shame or loss of privacy.

**Enabling** is defined as schemes that promote people's empowerment and participation in society and facilitates their access to quality services and inclusive labour markets.