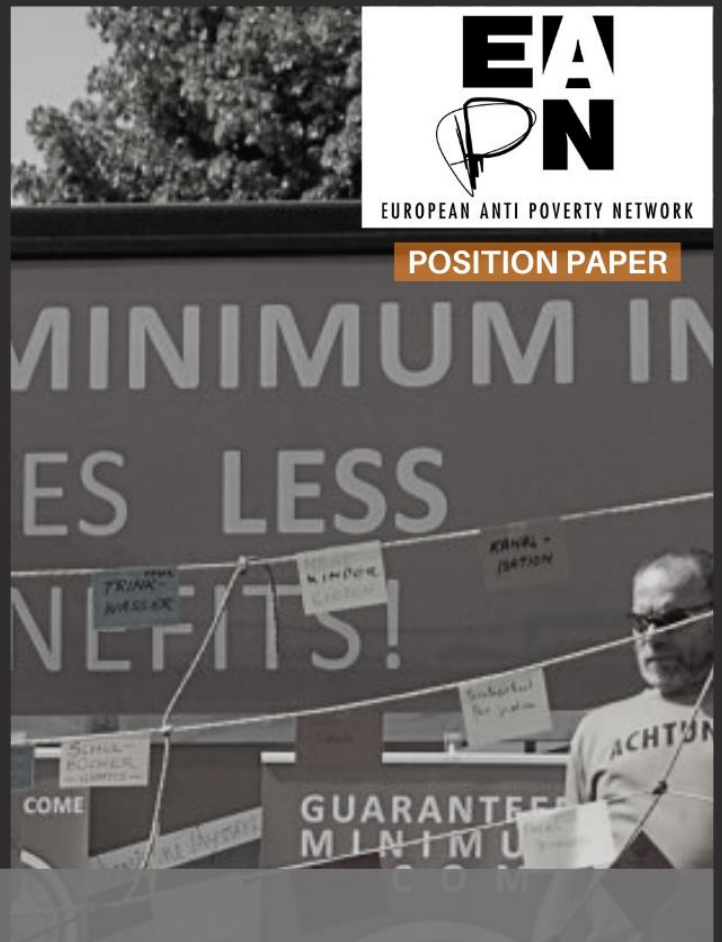




EUROPEAN ANTI POVERTY NETWORK

POSITION PAPER



# EAPN POSITION PAPER ON ADEQUATE INCOME



MAY 2020

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# EAPN POSITION PAPER ON ADEQUATE INCOME

## 1. OBJECTIVES, MAIN THEMATIC FOCUS, AND STRUCTURE OF THE POSITION PAPER

This **EAPN Position Paper on Adequate Income** presents and updates EAPN's priorities, proposals and demands in view of adequate income. It covers both adequate minimum income (MI) and fair minimum wages (MW), including living wages<sup>1</sup>, and largely builds upon earlier policy work by EAPN and the EMIN Network<sup>2</sup>. Why an EAPN Position Paper on Adequate Income? For EAPN it is key to develop and promote a **comprehensive and coherent approach to ensuring that people have adequate resources to live on throughout the life course**, whether they are working or unemployed, whether they have not yet been or are no longer in employment. Many people who, for a wide range of reasons, are not in the labour market rely on social benefits. They also require an adequate income otherwise poverty will not be eradicated.

**Minimum Income Schemes (MIS)** are an **integral part of comprehensive, rights-based, and universal social protection schemes**. They help to guarantee a minimum standard of living and a decent life for all and enable people to fully participate in society, by targeting those people unable to work (currently or in the past) to access a decent job, but also those not gaining enough from employment and/or those not or no longer entitled to other types of social benefits (e.g. after expiration of unemployment benefits). With the gradual introduction of a general and nation-wide minimum income standard also in Greece (since 2016)<sup>3</sup> and Italy (since 2018)<sup>4</sup>, **today all EU Member States (MS) have some form of MIS<sup>5</sup>**. This does, however, not mean that all those in need of MI benefits are guaranteed a decent standard of living throughout the life course. Many MS provide MIS which do not match the actual needs of beneficiaries. They fail to lift millions of people above the poverty line and/or leave the individuals concerned stigmatised, isolated and trapped in a cycle of poverty and social exclusion. According to EC sources and data, in 2018 only Ireland and the Netherlands provided levels of minimum income above the poverty line, i.e. above 60% of median disposable household income<sup>6</sup>. In 2016, the minimum income was below 40% for a single person in Bulgaria, Romania, Lithuania, Hungary, Greece, Portugal and Slovakia, as highlighted in the 2018 Final Report of the EMIN 2 Project.

Having a **strong and permanent thematic and advocacy focus on MI and MIS** is part of EAPN's "**raison d'être**" and DNA. For EAPN, **EU soft law has not allowed sufficient and sustainable progress** on poverty reduction and the guarantee of decent employment, working and living conditions for all Europeans. **EAPN's key demand for a Framework Directive on Adequate Minimum Income** – to

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<sup>1</sup> The concept of "living wage" and the relationship between minimum wages and living wages is explained in Annex 3.

<sup>2</sup> EMIN (<https://emin-eu.net/>) is an informal network of organisations (of service providers, NGOs in the field of the fight against poverty, social exclusion and discrimination, public authorities, trade unions, academics and persons receiving or who could receive minimum income support), committed to achieve the progressive realisation across Europe of adequate, accessible and enabling minimum income schemes and coordinated by EAPN. The EMIN 1 Project (2013-2014) and EMIN 2 Project (2017-2018) were funded by the EC EaSI Programme.

<sup>3</sup> In Greece, the solidarity income launched in 2016 aimed at providing a safety net to households living in extreme poverty. At the end of the 2<sup>nd</sup> pilot phase it covered 325 municipalities. With the full implementation it was expected to reach 700.000 people in 2018. – Source: EMIN (2018): EMIN2 Final Report "Guaranteed Minimum Income. Nobody deserves less, everybody benefits", p. 6. On 20 November 2019 the Greek Prime Minister announced plans to "constitutionally guarantee the minimum guaranteed income as safety net for the weakest".

<sup>4</sup> On top of existing regional MI schemes, Italy had introduced a "support to active inclusion" (SIA), 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. A new scheme to replace the SIA, the "inclusion income support" (REI), was approved in 2017 and was aimed to be rolled out through the country in 2018. – Source: EMIN (2018): EMIN2 Final Report "Guaranteed Minimum Income. Nobody deserves less, everybody benefits", p. 6.

<sup>5</sup> By minimum income scheme or benefit we refer in this paper to the general social assistance payment, often referred to as "last safety net", which should be available and accessible for everybody in need of income support to avoid poverty and which is as a rule tax-financed and means-tested. In addition to these benefits other "guaranteed minimum resources" – to use the terminology of MISSOC for category XI. – exist. They are, however, only available for specific groups and/or put in place to address specific needs (such in the case of lone-parent families, widowers, widows or orphans, blind persons, persons with a disability, etc. You can consult the comparative MISSOC tables for this benefit category for all EU MS here).

<sup>6</sup> European Commission (2019): Joint Employment Report 2020, p. 11 and p. 128

translate the right to an adequate minimum income for all over the life-course into a legally binding commitment for all MS –**and the request for an EU Framework for Fair Minimum Wages** have to be seen against the backdrop of this **proven failure of “EU soft-law mechanisms” in the last two decades**. In line with EAPN’s policy and advocacy work on MI and MIS, the [2019 European Meeting of People Experiencing Poverty](#) –organised by EAPN –recognised the adequacy and accessibility of minimum income schemes as key issues. It also called on MS and EU institutions to take urgent action to help make the related social and human rights a reality. **Annex 1** retraces key milestones of EAPN’s policy and advocacy work, in particular since 2010, the rationale behind it, its sources and key results. **Annex 2** presents selected data on poverty rates and the development of social exclusion and income inequalities to illustrate and quantify the challenges ahead for national and European policymakers.

**Minimum wages (MW)** – and more generally adequate or living wages – are **key for ensuring fair working conditions and decent living standards for all workers** in the EU. They are **essential to protect low-wage workers and to prevent in-work poverty**. In early 2020, **all 28 EU MS had minimum wage systems and arrangements**, 22 of them had statutory MW<sup>7</sup>, 6 have wages determined via collective bargaining (including, in most cases, minimum wages) between the social partners, i.e. employers and trade unions<sup>8</sup>. Looking at the social realities, the **share of workers earning the MW** varies considerably across the EU, from below 5% (e.g. in Belgium and Malta) to around 20% (in Portugal and Romania). The **relative levels of gross hourly minimum income in each MS also exhibit important differences**, in 2018 ranging from about 80% as compared to the median wage e.g. in Denmark and Italy to about 40% in Spain, the Czech Republic and Estonia. An indicator to well understand the real purchasing power of MW in a given country is the net minimum wage (i.e. the take-home pay of a worker after taxes and social contributions). It attained a share of below 60% of the average net wage in almost all MS and of below 50% in about half of the MS. It is important to note that **many workers in the EU are currently not protected by adequate minimum wages**, either because the existing minimum wage floors are inadequate for them to be lifted out of poverty or because there are still major gaps in the coverage of the MW arrangements which are currently in place<sup>9</sup>.

**EAPN has consistently worked on the topic of decent wages**, and this mainly since 2010 in the framework of a **long-standing thematic focus on fighting in-work poverty and promoting quality jobs and decent employment as part of integrated active inclusion policies**. Key insights guiding EAPN’s policy and advocacy work are that **not any job is a sure route out of poverty** and that **many people are in employment, but still face financial hardship and/or social exclusion**. Based on evidence from our members and people experiencing poverty and social exclusion, another guiding theme is that **in order for employment to fulfil its role of effectively shielding people from a life in poverty, it needs to fulfil a set of quality criteria**. For EAPN quality jobs are those with decent standards on pay and other work-related benefits, decent working conditions, good health and occupational safety protection, and also access to lifelong learning and career prospects<sup>10</sup>. These quality principles are broadly in line with trade union demands. If the job quality is low and/or is part-time, being on minimum income does not guarantee an adequate income. EAPN’s work since 2010 on the topic of minimum income is summarised in **Annex 3**, with one section looking into the interplay between minimum and living wages. **EAPN has consistently called for an EU framework on minimum wages**<sup>11</sup>.

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<sup>7</sup> In the 22 countries with a statutory national minimum wage, the coverage by collective bargaining and collective agreements, however, differs widely, attaining shares of less than 20% in Estonia, Lithuania and Poland, but above 80% in Belgium, France and the Netherlands.

<sup>8</sup> These six countries are Austria, Cyprus, Denmark, Finland, Italy, and Sweden. Cyprus has no statutory national minimum wage but has statutory occupational minimum wages in nine low-paid occupations which are typically not covered by collective agreement.

<sup>9</sup> In the six countries without a national statutory MW the share of workers protected by collectively bargained wages – according to most recent estimations – ranges from 45% in Cyprus to 98% in Austria. Denmark, Finland, Italy, and Sweden are situated in the 80% to 90% range.

<sup>10</sup> EAPN (2017) [Position Paper on Inclusive Labour Markets – Building pathway approaches to quality employment](#).

<sup>11</sup> This demand is further developed upon in chapter 4. EAPN’s related EU-level demands are part of [EAPN’s Proposals for a post Europe 2020 Strategy](#).

In a cross-country context and European perspective, **ineffective and inadequate MIS and MW in many EU MS do not live up to the needs and aspirations of millions of Europeans and deprive them of a dignified life, of social and human rights**, the enjoyment of equal opportunities and of a full participation in our societies. In addition, they do not only **undermine the common EU objective of social and economic upward convergence** – as enshrined as a political objective in the European Treaties and as expressed by European Social Model – but also the effective functioning of the fundamental freedoms of the internal market. They **cannot serve as a tool to counteract (internal and cross-country) social dumping** either. EAPN notes that political and scientific debates as well as policy and legislative initiatives dealing with MI and with MW are interrelated in various ways. This is true both for the EU-level, but also for many EU MS. Adequate minimum income and fair minimum wages are a major precondition to achieve social and territorial cohesion within and across the EU MS. MI and MW are integrally linked, as the amounts of minimum income benefits also impact on the level of minimum wages which cannot be lower, at least not for those in full-time employment.

The **COVID19 pandemic** has proportionally hit the poorest and most vulnerable people and their families hardest. Households in poverty and social exclusion, in particular those with children, chronically ill and persons with disabilities, have fewer resources and fewer options. The COVID19 epidemic has made the **need for adequate income support** for those who are out of work or fall outside social protection even more obvious and urgent than before, and the same goes for those who are unemployed or unable to work. All these people, face higher bills and costs, need adequate, accessible, and enabling minimum income benefits. There is a lot of evidence that patients suffering from health conditions such as respiratory diseases, hypertension or diabetes are particularly vulnerable to the outbreak of the COVID19 pandemic. These conditions are often associated with low income or other dimensions of social exclusion due to malnutrition, important health hazards in low-income jobs or unhealthy living conditions. The COVID19 pandemic thus demonstrates the need to build on short-term income support to guarantee an adequate income to all, regardless of employment status. **On 5 May 2020 EAPN addressed a Letter to Commissioners Schmit and Dombrovskis, requesting a meeting to discuss on minimum income in the context of the EU COVID19 response<sup>12</sup>.** The COVID19 epidemic has also put the spotlight even more than before on the **vulnerability of atypical and precarious workers** in Europe and around the globe, including those on zero-hour contracts and seasonal workers. The COVID19 pandemic has made the **need for quality jobs and employment with fair and adequate wages** to allow a decent standard of living, only more obvious and urgent. Women and migrants are disproportionately represented in sectors and jobs now considered and recognised as essential, such as health, care and social services, retail and delivery services, cleaning and household services, etc. They are often low-paid or poor workers, do not enjoy the full range of individual and collective labour rights and are not (or nor fully) covered by national social protection schemes, including adequate unemployment benefits and/or short-time work schemes, which would help alleviating the negative effects of loss of income from work or employment. This results in these categories of workers being forced to rely on inadequate, or in some cases, non-existent minimum income safety nets. In order to address the economic, social and political impact of the COVID19 crisis, **decent minimum wages, too, are a prerequisite for a fairer social and economic model, for effectively addressing in-work poverty and for a sustainable mid- and long-term recovery of Europe's economies.**

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<sup>12</sup> On 17 March 2020 EAPN issued a [Statement on COVID19](#). On 24 March 2020 EAPN sent a [Letter](#) to the Heads of States and Governments, ahead of a European Council the day after. EAPN has also set up a [dedicated webpage](#) on COVID 19 on EAPN's website, showcasing the work, initiatives and the policy work of EAPN members and of other partner organisations. The [EAPN assessment of the 2020 Country Reports and proposals for Country-specific Recommendations](#) also published on 5 May already takes up in a systematic manner the dramatically changed social and economic realities, in particular for poor people and vulnerable groups due to the impacts of the COVID19 epidemic. It also contains many recommendations to address the currently already visible and likely future challenges in this regard in the Member States and at EU level.

## 2. EAPN'S MAIN DEMANDS AND PROPOSALS ON ADEQUATE MINIMUM INCOME AND FAIR MINIMUM WAGES<sup>13</sup>

The following chapter summarises **EAPN's main demands and proposals on adequate minimum income and fair minimum wages**. For both issues—further elaborated on and explained in chapters 3 and 4—we distinguish between soft instruments, nevertheless key to support social and economic upward convergence, and hard instruments which are enforceable, mainly EU legislation.

### *2.1 Adequate, accessible, and enabling minimum income (schemes)*

**EAPN's key demand is for the EU to adopt a Framework Directive on Adequate Minimum Income.** Such an instrument is essential to translate the right to an adequate minimum income for all, over the life-course, into a legally binding commitment for all EU MS.

EAPN believes that an adequate **guaranteed minimum income is a social and human right for all people throughout their entire lives**. This should be achieved by:

- Ensuring that **minimum income schemes take people out of poverty and above the 60% median disposable household income poverty threshold (AROP), underpinned by national reference budgets**. These schemes capture the real costs of essential goods and services and contextualise the EU-level AROP threshold by a reflecting the living standard which can be afforded in a country with an income corresponding to this threshold and the real price levels for the goods and services taken into account.
- **Providing comprehensive coverage and seamless transitions to other benefits** at all stages.
- **Supporting person-centred, integrated support as part of an “active inclusion approach”** which is based on case-management approaches and personalised planning.
- **Ensuring access to other key social rights for minimum income beneficiaries**, e.g. decent housing, education, affordable health, and not just as a “condition” or an “instrument” to get them into work. **For EAPN, EU social standards must be rights, should never be conditional or treated as a disincentive to work**. Conditionality of this type is a contradiction to the rights-based approach that the EU has signed up to.
- **Offering a positive hierarchy to minimum wages**, in order to provide positive incentives to work. This also means minimum wages should be set higher than minimum income, rather than reducing minimum income.

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<sup>13</sup> The EAPN key demands are also included in the EAPN response to the consultation on the Action Plan to implement the European Pillar of Social Rights (EPSR), finalised in June 2020.

### 2.1.1 Soft instruments to support upward convergence

The **right to minimum income should continue to be strengthened through the European Semester and EU funds:**

- MS should be required to **ensure minimum income to be adequate, accessible, and enabling**. Progress on all these elements should be monitored with CSRs in the European Semester.
- **MI should be viewed as part of an integrated active inclusion approach**, and a crucial element in an EU multidimensional, integrated anti-poverty strategy.
- **Reference budgets of baskets of goods and services to check the adequacy of MIS need to be further developed**, for different household types and with the involvement of people, not only with those in poverty.
- Progress should be made on **agreeing common EU definitions of adequacy, coverage and enabling support**, as well as a **common EU wide framework and methodology on reference budgets**.
- A better visibility and **mainstreaming of the benchmarking indicators** agreed by the Indicators Sub-Group (ISG) of the Social Protection Committee (SPC) should be pursued **to check the adequacy, related to the AROP level**. For EAPN, **EU-level indicators to capture the coverage of MIS, particularly the take-up rates and the effectiveness of enabling support<sup>14</sup>**, should also be developed.
- **Research, awareness-raising, mutual learning and peer review** should be carried out and supported by EU funding **on how to increase the adequacy of long-term financing of adequate minimum income**, as well as benefits of methods to positively support participation and job search, as opposed to negative activation with conditionality<sup>15</sup>.
- **Country-specific Recommendations (CSRs) should trigger concrete policy action and sanctions when MI falls far short of adequacy**. This would also need to be flagged up e.g. in the Joint Employment Report (JER) as “critical developments” which require an urgent coherent and coordinated response with the macroeconomic policy CSRs. For EAPN this means **supporting investment in minimum income schemes by increasing tax revenues through increased tax collection, effectively tackling tax evasion and by means of more progressive taxation schemes**. EAPN members have also observed that the Country Reports and/or CSRs do not put enough attention to the cost of living compared to earnings –in particular for workers with pay at MW levels –and to the related social and economic impacts.
- **EU funds should be targeted to support the development of effective national minimum income schemes**.

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<sup>14</sup> Monitoring “Enabling” support implies that beneficiaries of MIS are actively involved in the assessment of their benefits and their long-term impact on social participation, education, vocational training and lifelong learning as well as access to sustainable, quality jobs.

<sup>15</sup> Other key areas for research include the issues of non-take up of MI benefits, smoothing transitions between MI and unemployment benefits, the removal of disincentives to MIS to ensure that people do not fall through the net.



### 2.1.2 Hard instruments/EU legislation

- **Soft law alone is failing to guarantee an adequate minimum income in most countries**, nor is it succeeding in effectively reducing poverty. EAPN believes that a **European Framework Directive on Minimum Income** is needed to guarantee this right and to provide a level playing field across the EU on minimum social standards.
- The **Directive** should **provide a common EU framework, setting out minimum requirements**: establishing common objectives, common principles, definitions and methods to guarantee this right across the EU, **referring back to MS the establishment of the conditions of access and detailed rules of application** in order to take account of the situation in each MS. It is not at this stage proposed that the Directive should fund directly an EU-level minimum income payment<sup>16</sup>.
- The **indicator for adequacy** proposed is the **at-risk-of-poverty (AROP) threshold** (60% median income) which should at least be attained, **underpinned by national reference budgets**. The function of reference budgets is to more adequately reflect the living standard which can be afforded in a country with an income corresponding to this threshold and the actual price levels for the goods and services included.
- EAPN's Legal Opinion and Working Paper, both issued in 2010, confirm that **a legal base for a Framework Directive on Minimum Income exists** in the field of the integration of persons excluded from the labour market (TFEU art 153, 1, h). There is **no formal objection that can be found in the Treaty to legislate on financial support for the integration of people who are excluded from the labour market**. These issues as well as a proposal for a Framework Directive are elaborated on in more detail in sub-sections 3.3.4 and 3.3.5. It is also included in the EAPN Working Paper on A Framework Directive and in the Legal Opinion (2010) as well as in the Final Reports of the EMIN 1 and EMIN2 Projects<sup>17</sup>.
- **Support for an obligatory EU framework on MI has been gained from an increasing number of key actors** galvanised by the work of EAPN and EMIN. These organisations include the EESC, ETUC and the Social Platform. There is also support for an EU framework to guarantee adequate national schemes from the European Parliament Resolution adopted in 2017.

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<sup>16</sup> See EESC own-initiative opinion for a "European Framework directive on a Minimum Income" (SOC/584), adopted on 20.02.19.

<sup>17</sup> Cf. Synthesis Report EMIN 1 Project (January 2015) and Final Report EMIN 2 Project (December 2018)



## 2.2 Fair minimum wages in the context of quality jobs and employment

EAPN has consistently worked on the topic of **decent wages** in the context of a **long-standing thematic focus on fighting in-work poverty and promoting quality jobs and employment as part of integrated active inclusion policies**. EAPN has also consistently called for an **EU framework on minimum wages**.

### 2.2.1 Soft instruments to support upward convergence

- **Prioritise progress towards quality work, developing quality employment principles and indicators including adequacy of wages**, benchmarked to 60% of median wage.
- **Through the European Semester adopt a pro-fair-wage priority**, encouraging and providing CSRs to increase wages, and to support the establishment of a statutory minimum wage at decent levels, where none exists, and where wage levels are low.
- **Examine more systematically and prioritise the reduction of in-work poverty, with an emphasis on gender and specific groups**, and require actions to increase wages<sup>18</sup>.
- **Roll out person-centred, rights-based supportive active inclusion approaches as part of an EU anti-poverty strategy** to support people into training, quality jobs and participation. Key message 2 on employment and fair wages of the 2019 European Meeting of People Experiencing Poverty highlighted the need for personalised, integrated support, in line with active inclusion and with simplified bureaucracy and information. The participants also formulated the request for quality, relevant training for workers (paid for by the employer) and for job seekers as their third key message.
- **Propose CSRs to support an increase in trade union membership and a better coverage of the workforce by (sectoral) collective bargaining**. Such collective agreements are an essential pre-requisite for achieving fair, living wages and to establish a social standard floor.
- **Support participation of people facing in-work poverty, and the NGOs that support them**, also by **ensuring consultation with them on the design, delivery and monitoring of both activation services and their involvement in structured dialogues on in-work poverty**, monitored through the European Semester.
- **Provide recommendations requiring employment contracts and decent wages for work**. Monitor the increase of “forced volunteering and work” as a key violation of rights. The participants of the 2019 European Meeting of People Experiencing Poverty urged national governments and the EU to combat low pay and unpaid work and support adequate wages for a life in dignity ending forced work and modern slavery, as well as forced volunteering through “workfare”. This was their key message 1 on employment and fair wages!

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<sup>18</sup> Other related EAPN demands in order to ensure that decent work is a sustainable route out of poverty are to increase employment security, to reduce involuntary part-time work and to counter discrimination in pay rates, including closing the gender pay gap.

### 2.2.2 Hard instruments/EU legislation

- Make progress towards an **EU obligatory legal framework, for establishing fair minimum wages, which allow for a decent standard of living for workers and their families.**
- **Use the benchmark of 60% of the median wage as an indicator for adequacy.** Consider also **indicators reflecting the gender pay gap, wage dispersion and the wage share of GDP.** For EAPN, an **EU directive to address the gender pay gap and binding pay-transparency measures** is also needed to bridge the gaps that enhanced coordination within the European Semester has been unable to address.
- Require the establishment of **effective collective bargaining and a high coverage by collective agreements** as key means to ensure progress towards fair wages for all, decent jobs and inclusive labour markets.
- Require **statutory minimum wages** in all countries where wage levels are below the median, and where strong collective bargaining instruments do not currently exist.

### 3. ADEQUATE, ACCESSIBLE, AND ENABLING MINIMUM INCOME (SCHEMES)

#### 3.1 Making the case for adequate, accessible, and enabling minimum income schemes – what benefits do they bring?

For EAPN and EMIN, there are mainly **three convincing reasons to set up and further develop national minimum income schemes**:

- 1) They are a pre-condition for and support the realisation of social and human rights.
- 2) They have positive effects on the economy as they contribute to distributing and redistributing income. As poor people have to spend the minimum income benefits they receive (and which for various household types are insufficient for them to even achieve the level of the poverty threshold) on the costs of living and housing, and cannot make any savings, MIS operate as automatic stabilisers. They maintain aggregate demand for consumption purposes.
- 3) They also have numerous advantages for the economic, social, and territorial cohesion of European societies. This is particularly crucial in a context of increasing inequalities, between and within Member States<sup>19</sup>.

EAPN firmly believes that **national MIS should be underpinned by an EU-level legislative instrument to frame, monitor and support the realisation of the social and human rights of all EU citizens**. EAPN advocates for a **Framework Directive on Minimum Income** as the most appropriate instrument to effectively address similar problems all EU MS face in relation to poverty and social exclusion. It would **comprise both content- and procedure-wise minimum standards and requirements for MIS**.

EAPN has set up a list of criteria for **adequate, accessible, and enabling minimum income schemes**<sup>20</sup>: Such schemes

- are **essential to guarantee human rights**, whereas denying people access to adequate income constitutes a violation of human rights;
- **ensure that people who need them can remain active and participate in society, help them reconnect to the world of work** and allow them to live in dignity;
- are **more likely to speed up integration into sustainable and quality employment**, while inadequate MIS are likely to lock people in a cycle of dependency and undermine pathways to social inclusion and cohesion;
- would help to **reverse the destructive trend of rising numbers of “working poor” and people in precarious employment arrangements** and/or with low quality jobs;
- serve as **macro-economic stabilisers** and function as **economic stimulus packages**, as the money spent for minimum income benefits immediately re-enters the economy and is used for consumption expenditure, not for savings (this argument is further elaborated on also for MW in sub-chapter 4.2);
- help **addressing income and social inequalities**, are indispensable for more equal societies and to ensure social cohesion within the EU MS and between them.

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<sup>19</sup> See [2020 Joint Employment Report \(JER\)](#) or the 2019 European Commission’s [Report “Employment and social developments in Europe”](#), highlighting more inequalities in income, wealth and the use of child care.

<sup>20</sup> Cf. [Final Report EMIN 2 Project](#) (December 2018), pp. 27-28

These criteria build on concrete examples and experiences from people experiencing poverty and social exclusion, and the NGOs that support them. They take on board their practical knowledge on the availability and appropriateness of public policy instruments to adequately address their situation, but also a large body of evidence from social and economic research. A large number of real-life examples and the voices of people experiencing poverty are constantly “channelled” via EAPN members or were collected in the context of the two EMIN projects.

### ***3.2 Why minimum income schemes need to be adequate, accessible, and enabling***

Starting from a shared understanding on the multi-dimensionality of poverty (see also the [EAPN Explainer “What is poverty and how to combat it”](#), issued in May 2020) and building on the work with our members and on the insights and reports from the two EMIN projects, EAPN has identified **adequacy, accessibility and enabling character as the three key policy design criteria for minimum income schemes and benefits**. The three criteria and EAPN’s related demands are introduced below:

**Adequacy:** Adequacy means sufficient for a dignified life. It can be calculated comparing the income of beneficiaries with the national poverty threshold, as an indication of the poverty alleviation capacity and effect of MI benefits or schemes:

- As to adequacy, EAPN’s key demand is to **have benefit levels above the 60% at-risk-of poverty (AROP) threshold** in order to take people out of poverty, to be **combined with national reference budgets**. EAPN advocates for setting this well-known, long-standing, robust, and comparative EU-level **AROP indicator as the reference value for adequacy in a Framework Directive on Minimum Income**, too.
- The **relative benchmark of AROP needs to be underpinned and contextualised by the actual costs of a basket of goods and services in each country**. This is also important because the AROP does not take account of cross-country variations in the institutional setup of the welfare state – including public services and/or public direct or indirect subsidies for essential goods and services – as well as in the type of benefits provided, be they in cash, in kind or services. **Reference budgets are a promising instrument to build consensus in society about what is an adequate income**, in other words a standard for a decent life, comprising amounts necessary to also lead a decent social life. They can be used as a benchmark to assess the adequacy of people’s net income as they help to understand what kind of living standard can be reached with an income at the level of the at-risk-of-poverty threshold. Reference budgets also 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 that are comparable across countries** would show what differences in living standards imply in practice for the adequacy of incomes at the level of the at-risk-of-poverty threshold. They could finally also help to provide more evidence on the systematic underestimation of poverty risks of some groups, e.g. of children, relative to other age groups<sup>21</sup>. EAPN therefore advocates for a **common EU wide framework and methodology for reference budgets** which would then help to better contextualise the AROP threshold to the multi-dimensional reality of poverty and to important differences as regards the institutional characteristics of the welfare state in each country<sup>22</sup>.

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<sup>21</sup> EMIN organised peer reviews and seminars on reference budgets and supported the publication of the paper “[What Does It Mean To Live on the Poverty Threshold? Lessons From Reference Budgets](#)” by researchers of the University of Antwerp which also looks in the feasibility of cross-country comparable reference budgets.

<sup>22</sup> EMIN (2018): [Report and Recommendation from the Peer Review on use of Reference Budgets for policy purposes](#).

- Reference budgets are highly dependent on political decisions and “games”. The lack of good governance is a risk highlighted by several EAPN members. Even if relevant stakeholders such as social NGOs and/or people experiencing poverty are involved in the determination of the methodology for the definition of levels of minimum income and/or of the items contained in baskets of goods and services, the **outcome can still be inadequate**. Such an unsatisfactory outcome can be due to the selection of items in the basket, the actual level of minimum income and/or the insufficient frequency of increases of the amounts.

**Accessibility:** This criterion focuses on ensuring access and comprehensive coverage for all people who need minimum income schemes, for as long as they need the support. Four main aspects of the accessibility dimension of minimum income schemes can be identified: 1) Eligibility criteria<sup>23</sup>, 2) degree of universality<sup>24</sup>, 3) administrative procedures and 4) non-discrimination provisions. Their concrete design parameters decide on the actual accessibility of MIS for those persons who need them.

- EAPN’s attention has always focused on the eligibility criteria, with the aim of widening them. **EAPN has consistently warned and advocated against reforms increasing the restrictiveness of eligibility criteria of MIS, i.e. their coverage, and/or reducing the duration of minimum income benefits.**
- EAPN has always fought to **ensure the universality of minimum income schemes** in all European countries.
- EAPN has also consistently recalled the **need to simplify administrative and implementation procedures for MIS** and to make them fully understandable to those in need<sup>25</sup>.
- EAPN has repeatedly recognised the **need to address the problem of non-take-up of MI benefits as well as increasing restrictions on eligibility**. Universal benefits funded from general tax revenues, social assistance benefits are generally means-tested<sup>26</sup> across all EU MS. It is estimated that up to 40% of people entitled to social benefits do not claim their rights<sup>27</sup>. This can happen due to several reasons, ranging from the lack of awareness of potential beneficiaries of the types of entitlements, to restrictive and complex administrative procedures and the stigmatisation of a person when she/he articulates the need for social assistance<sup>28</sup>.
- For EAPN it is finally also essential to **define provisions ensuring non-discrimination against any group of (actual or potential) beneficiaries of minimum income benefits.**

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<sup>23</sup> The main requirements to access MIS in most countries are linked to citizenship and residence, age, lack of financial resources, not having assets above a certain limit, and having exhausted all rights to other benefits.

<sup>24</sup> It largely depends on the strictness of means-testing, including the income threshold and the types of incomes included in the test.

<sup>25</sup> For EAPN and EMIN it is important that the competent administrations for MIS avoid complex regulations and develop straightforward and easily understandable applications and administrative procedures for MI benefits to reduce institutional barriers for those needing them. They should also equip and train their personnel in a way to reduce as far as possible implementation barriers such as lack of information, shame or loss of privacy of the beneficiaries. Possible conditionalities to get MI should also be minimised.

<sup>26</sup> “Means tests seek to establish and measure the need of an individual or a family for benefits. The principal eligibility income support benefits is established by assessing the level and potential sources of income of a family (such as support from family members or potential revenues from the sale of assets) and comparing that level to an amount of income needed to buy a basket of goods and services that an individual or a household needs in order to enjoy a minimum standard of living. The benchmark income for the comparison is generally created by establishing a basket or baskets of minimum goods and services which are then costed at current price levels.” (ILO: Financing Social Protection. 2004, p. 303)

<sup>27</sup> Eurofound (2015): [Access to social benefits: Reducing non-take-up](#). (authors: Hans Dubois and Anna Ludwinek)

<sup>28</sup> In addition to non-take-up, MIS in most countries in practice exclude certain groups of people and/or restrict the duration of entitlement to payments. Resident requirements often form such a barrier for asylum seekers and undocumented migrants whereas failing to provide a registered address constitutes a hurdle for homeless people and age requirements can block entitlements for young people.

- It is finally important to mention that there are **no agreed EU-level indicators or benchmarks for the accessibility of MIS**<sup>29</sup>, which is largely also due to the diversity of MIS schemes.

**Enabling character of MI(S):** For EAPN, our members and the people they represent, this third key dimension of minimum income schemes implies the **use of design parameters in line with an integrated, person-centred “active inclusion paradigm”**<sup>30</sup>. This approach should be reflected in the design of all MIS as it assumes the perspective of people themselves, stressing their rights and supporting and empowering people for social participation and/or into quality jobs.

- Advocating for the use and the rolling out of “active inclusion measures” has been inspired by EAPN’s assessment of the negative impacts of activation measures and conditionality in minimum income schemes and/or labour market (re-)integration policies. Such **conditionalities are amongst the most “critical” design parameters** if they link the entitlement to MI benefits 1) to an obligatory participation in labour market activation programmes – this can mean imposed public work and/or enforced volunteering – or 2) to the acceptance of any kind of job or training offer – even more so if of poor quality – in order for people to avoid cuts in the amount of benefits<sup>31</sup>.
- Having analysed for more than a decade the **negative effects of punitive activation measures and strict conditionalities on the people in need of minimum income, EAPN favours and advocates for a more positive approach** to address social and health needs of people facing complex obstacles to accessing the labour market. This consists in **individualised support to access key rights through a case management approach**, covering supportive activation measures combined with help to access basic rights to key services, minimum income and social protection<sup>32</sup>.

For EAPN, **only when these three criteria are met, then MIS provide people in need (and those living in the same household) with the financial and psychological security** they need in order to feel empowered and to be able to engage in pathways towards decent and adequate employment. These minimum income schemes also **ensure the inclusion, access to rights and participation of all those people for whom decent employment is not (or no longer) an option.**

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<sup>29</sup> Cf. [Final Report of the EMIN 2 Project](#), p. 16. In the context of the EMIN 1 Project FEANTSA elaborated the [thematic report “Non take-up of minimum income schemes by the homeless population”](#) (October 2014) (author: Natalie Boccadoro).

<sup>30</sup> It was set out in the [2008 Commission Recommendation on Active Inclusion](#). It aims at ensuring the integration of adequate cash transfers, access to essential services and access to inclusive labour markets, supportive of a rights-based approach, decent work and a dignified life, promoting people's empowerment and participation in society.

<sup>31</sup> Country examples for this issue are included e.g. in the [Final Report of the EMIN 2 Project \(2018\)](#), pp. 19-20.

<sup>32</sup> EAPN shares the position of its member: the International Federation of Social Workers (IFSW) Europe, that social protection should be more than just the provision for basic needs. For IFSW, social protection should be embedded in social policy that promotes social justice, social security, social coherence, and wellbeing. Social protection systems should be understood as instruments for social transformation, democracy and creating socially just societies. As stated in the 2016 [IFSW Policy Paper “The Role of Social Work in Social Protection Systems”](#), they also “should have a preventive and sustainable effect; strengthening resilience of individuals, families and communities and enhancing the capability to react to risks of life.”

### 3.3 Making the case for an EU Framework Directive on Minimum Income

#### 3.3.1 State of play on minimum income schemes

EAPN welcomes **progress made in many countries, e.g. with the extension of the right to MI in all MS (albeit in many to a limited level), with the extension of the coverage by MIS, and/or with the increase of benefit levels.** Positive examples in recent years include the **lifting of minimum income levels above the at-risk-of-poverty threshold** in the Netherlands or the **reduction of conditionalities** e.g. in Croatia with the elimination of time limits to the MIS and the possibility to combine the receipt of MI with employment or in Slovenia with the elimination of income limits related to property. **Other countries have addressed the problem of non-take up**, e.g. in Finland thanks to a harmonised delivery of the basic social assistance. Other encouraging developments and promising practices are showcased in the Final Report of the EMIN 2 Project<sup>33</sup>.

This report (and EAPN's Poverty Watches of the last years, as shown in the first comparative report issued in 2019) also flags up a number of examples of **MS lacking ambition in their reforms of minimum income schemes and creating negative results for people in need.** For EAPN the overall response in the clear majority of MS, however, has been largely inadequate to live up to the key objective of MIS, i.e. having benefit levels which take people out of poverty. In the majority of countries, they still remain well below the at-risk-of-poverty threshold. **Negative developments have particularly happened during the crisis and were implemented in the framework of austerity measures.** It should not be overlooked that e.g. the 2020 Joint Employment Report (JER) also **recognises the limited progress achieved.** Being authored by the EC, it **calls for an improved adequacy of minimum income schemes and for adequacy and coverage by social protection overall**, including pensions, as a fundamental element in combating the depth of poverty and in-work poverty and for tackling income inequality.

#### 3.3.2 EU-level “policy hooks” for the elaboration and implementation of a binding EU instrument on Minimum Income

**Four EU-level “policy hooks” for the elaboration of a Framework Directive on Minimum Income**<sup>34</sup> were put in place between 1990 and 2010 and have been used for EAPN's advocacy work since then. It is important to note that the first three “policy hooks” are still of high relevance today.

##### Council Conclusions on common criteria concerning sufficient resources and social assistance in social protection systems

The 1992 Council Conclusions on common criteria concerning sufficient resources and social assistance in social protection systems: Nearly 30 years ago this document already defined various criteria for the design of the systems, supported by EAPN and still relevant today. They comprise issues such as “individual right”, “no limit in time”, “right to sufficient resources and social assistance auxiliary to other social rights”, “accompaniment of this right by policies deemed necessary for the economic and social integration of those concerned”, definition of a relative level sufficient to cover essential

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<sup>33</sup> See Chapter 2 “Evolution in Minimum Income Schemes across Europe”, pp. 6-10. A selection thereof will also feature in the Annex “Promoting promising examples of minimum income protection” (written by EAPN Policy Coordinator Sian Jones) of the article “An EU Directive on Adequate Minimum Income” (authored by the Social Platform) in a publication presenting the priorities of the German EU Council Presidency in the fields of employment and social policy expected for June 2020.

<sup>34</sup> The 1961 European Social Charter of the Council of Europe – containing provision on the “Right to social and medical assistance” (Art. 13) and “Right to a fair remuneration” (Art. 4) – could be a useful source of inspiration with regard to both MI and MW. In an EU context, its use, however, is more problematic as it is still neither ratified by 13 EU MS nor by the EU.



needs, supplementary amounts to cover special needs, and access to information and adjustment of benefits. The Council Recommendation recalled the need to implement such systems in a way to keep incentives to work, but also called on the MS to guarantee resources and benefits in social protection arrangements. The document also foresaw a number of concrete implementation steps<sup>35</sup>, an EU-level framing, including the collection of information and evaluations of both the degree of implementation and the impact of the introduction and/or expansion of such social protection systems as well as monitoring activities building on a report to be issued 5 years after the date of publication<sup>36</sup>.

### Commission Recommendation on Active Inclusion

The 2008 **Commission Recommendation on Active Inclusion**: Strongly supported by EAPN and importantly inspired by EAPN policies and demands, the document led to an increased attention by policy makers on the interrelatedness of the three mutually reinforcing strands – adequate income support, inclusive labour markets, access to quality services. It also helped to attaining a broad agreement on the multiple benefits of providing sufficient resources to live in dignity, together with support for social participation, for those who cannot work or find decent employment – e.g. people with a disability, or long-term unemployed.

### Rights enshrined in the European Charter of Fundamental Rights

The 2000 **European Charter of Fundamental Rights (ECFR)**, in 2009 incorporated into the Treaty for the Functioning of the European Union (TFEU), in art. 34(3) **recognises the right to social and housing 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”.

### Europe 2020 commitments on poverty reduction

There is also the possibility to **build on commitments made for poverty reduction in the context of the Europe 2020 Strategy**<sup>37</sup>. One of the five headline targets is to reduce by 2020 by at least 20 million people the number of those at risk of poverty or social exclusion. These headline targets have been translated into national targets. Since 2010 the **European Semester with its thematic focus on minimum income** – also including the Sustainable Development Goals (SDGs) since 2020 which now can also be better made use of – is the key EU policy/soft coordination instrument to make progress on this dossier. The **Europe 2020 poverty reduction target was “backed up” by the adoption of the European Pillar of Social Rights (EPSR)** which in principle 14 firmly recognises the right of Europeans to an adequate minimum income.

For 2020 and beyond, **EAPN sees five further windows of opportunities and key “policy hooks” for flanking EU-level policy action on minimum income (schemes)**. All are still relevant in a post-COVID19 pandemic context : 1) The **reformed European Semester**; 2) The **Action Plan to implement the EPSR** (as of 2021), as a decisive social (policy) initiative of the European Commission on the backdrop of political announcements and commitments made in 2019 it should now live up to; 3) **Future EU Council**

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<sup>35</sup> Article E recommends a progressive implementation of the measures laid down in this recommendation, “(...) taking into account economic and budgetary resources as well as the priorities set by national authorities and balances within social protection systems”, Official Journal of the European Communities, No L 245/45, 26.08.92

<sup>36</sup> This report from to Commission to the Council, European Parliament, EESC and CoR was issued in early 1999.

<sup>37</sup> How this could be done (and which pitfalls are to be avoided) is explained in more detail in three EAPN publications issued since autumn 2019: Working for a Green and Social that ends poverty – EAPN’s Response to the Annual Sustainable Growth Strategy and Joint Employment Report; EAPN 2020 Toolkit for EAPN members on engaging with the European Semester; Delivering Agenda 2030 for people and the planet – EAPN Proposals for a Post-Europe 2020 Strategy.

**Presidencies**, starting with Germany in the second half of 2020. 4) Past **work and/or reports of DG EMPL, the SPC and the ESPN**; 5) **Political declarations voted by the EESC and the EP in the last decade.**

*Possibility to better make use of the reformed European Semester*

**The European Semester has been reformed for its 2020 edition**, with the commitment to deliver on the EPSR and the Social Scoreboard and through the new framework and objectives of the ASGS:

- Looking at the **European Semester**, the topic of minimum income has been mainstreamed, in particular by means of the CSRs. EAPN supports the **use of Country-Specific Recommendations (CSR)** to improve minimum income schemes, **if they promote policies in line with the three key criteria** set out above in sub-chapter 3.2. They should also be **linked to the use of the ESF+ or other EU funds, particularly in MS with low levels of public financing of social protection**, to improve or build up the infrastructure for adequate MI schemes.
- The underlying challenge referred to above can be illustrated by looking at the **2018 CSRs on minimum income**: 6 MS received them (BG, EE, ES, HU, LV, RO), whereas other countries with missing universal measure of minimum income (IT) were not mentioned. For 4 MS these CSRs included an explicit focus on adequacy (BG, EE, HU, LV), for 3 on coverage (BG, ES, HU). For other countries, the quality of MIS is sometimes addressed in the preamble, but no concurrent policy recommendations were made. In their assessment of the 2019 CSRs (see pp. 23-24) , EAPN members from a number of countries (EE, ES, FI, PT, RO) welcomed references to the adequacy, coverage, and effectiveness of social protection as well as the mentioning of the improvement and implementation of adequate minimum income schemes (ES, RO).
- EAPN has critically assessed **several cases where the attention given to adequate MI by the EC is undermined** by priority given to budget sustainability, consolidation of social protection benefits, increasing targeting and/or focusing the support on those most in need.
- EAPN members also highlight that the European Semester can and should be used as “tool” to support the monitoring of progress but **cannot replace a binding and enforceable EU-level instrument on minimum income.**

*Need to better exploit the full potential of the EPSR and to use the Action Plan on the EPSR*

**The right of Europeans to an adequate minimum income benefit is firmly acknowledged with the adoption of European Pillar of Social Rights (EPSR).** Principle 14 of the EPSR 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"<sup>38</sup>. For EAPN the **EPSR, although adopted through an interinstitutional declaration, is not legally binding. However it:**

- is an **important springboard to make the European Union more social for its people and to considerably improve their living and working conditions;**

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<sup>38</sup> EAPN in the 2017 Response to the EPSR “Making social rights the beating heart of Europe!” has identified five key principles in line with the political priorities of the network. These are principles 14 (minimum income), 12 (social protection), 6 (wages), 1 (education, training and life-long learning) and 20 (access to essential services). Not least since the new EC took office, more attention has been given to the topic of housing exclusion and homelessness which is captured by principle 19 (housing and assistance for the homeless) of the EPSR.

- could and should serve as a **compass for renewed social upwards convergence within the EU** which would also help to provide a level playing field across MS and to mitigate against (mainly transnational) social dumping;
- can **reinforce the existing policy framework on adequate minimum income at European level**, if implemented through an ambitious Action Plan, including for principles 14 and 12;
- is a key tool to support the **implementation of the EU's soft instruments** and – together with the Social Scoreboard – to underpin the European Semester process, in particular the CSRs.

For EAPN it is now time to **turn the commitments expressed in the principles of the EPSR into reality**. Building on the momentum created with the declaration of the EPSR and announcements of the new European Commission (in particular by Nicolas Schmit, Commissioner for Jobs and Social Rights in his hearing at the EP and since he took office on 1 December 2019) to strengthen the social dimension of the EU, **EAPN sees a new window of opportunities for EU-level policy and legal action on minimum income schemes**. The ongoing consultation on an Action Plan on the EPSR should be used to advance in this direction<sup>39</sup>. For EAPN what is then needed as of 2021 is a strong political will by national governments, the social partners at national and European level and the European institutions (Commission, Parliament, Council) working together with NGOs and civil society organisations to ambitiously implement it, backed by a comprehensive and renewed European Anti-Poverty Strategy.

#### *Making the most of upcoming EU Council Presidencies policy priorities*

The **plans of the German EU Council Presidency** which will take place in the second half of 2020 **to work towards a renewed commitment to “arrive at an EU framework for national MIS”** (as stipulated in the 2018 Coalition Agreement of the three governing parties of the current Federal Government) make no explicit reference to an EU-level legal instrument. They are primarily motivated by the **perceived need to re-orient EU initiatives to support social and economic upwards convergence** and to prevent intra-EU induced “poverty migration”, where people are forced to migrate to other MS because of insufficient living standards.

#### *Building on and further developing the work on minimum income and minimum income schemes done by DG EMPL, the SPC and the ESPN*

For EAPN it is important to **use and build on existing work of Public Services Network on Minimum Income** (also in the context of Structured Dialogues), **of the Thematic Review on Minimum Income** organised by DG EMPL as well as on **work done and reports issued by the SPC** (also in the context of peer review exercises on MI) **and by the ESPN**<sup>40</sup> in recent years. Bea Cantillon’s 2019 analysis “The European Pillar of Social Rights: 10 arguments for prioritizing minimum income” and the proposals made in her article should also be taken up and used.

<sup>39</sup> Should the EPSR Action Plan bring about a renewed and comprehensive EU-level Anti-Poverty Strategy and/or would the relevant EU institutions decide to adopt a post Europe 2020 Strategy, additional “entry points” were available.

<sup>40</sup> ESPN (2016) Minimum Income Schemes in Europe – A study of national policies 2015 (authors: Hugh Frazer; Eric Marlier)

Possibility to build on earlier political declarations of the EESC and the EP as useful reference documents supporting the need for upward convergence on minimum income and minimum income schemes

Already in **2013** the **European Economic and Social Committee (EESC)** adopted a first **opinion** which considered that “establishing a European minimum income will help to ensure economic and territorial cohesion, protect the fundamental rights of the individual, guarantee a balance between economic and social objectives and redistribute wealth and income fairly” (paragraph 1.2, p. 1). It also called on the European Commission “to examine funding possibilities for a European minimum income focusing in particular on the prospect of setting up an appropriate European Fund” (paragraph 1.4, p. 2)<sup>41</sup>.

In **2019** the **EESC** adopted a **second opinion for a “European Framework Directive on Minimum Income”**. It held that “introducing a binding European framework for a decent minimum income in Europe, enabling minimum income schemes in the Member States to be extended across the board, supported and made “decent” (adequate), would therefore be a significant initial European response to the serious and persistent problem of poverty in Europe” (p. 3). It also concluded that it “could take the form of a directive defining a reference framework for the establishment of an adequate minimum income, tailored to the standard of living and way of life of each country and taking account of social redistribution, taxation and standard of living factors based on a reference budget whose methodology would be determined at European level.” (p. 3)

The **European Parliament (EP)** in **2017** agreed on a **resolution**<sup>42</sup> which calls on all MS to “introduce adequate minimum income schemes, accompanied by back-to-work measures for those who can work and education and training programmes adapted to the personal and family situation of the beneficiary” (paragraph 1.). It contains a lot of points supported by EAPN.

### 3.3.3 Insufficient progress made based on “soft-law” initiatives at EU-level

Even though more substantial progress could be made in the last years in many EU MS when it comes to the reduction of severe material deprivation<sup>43</sup> (see also sub-chapter 3.1. above), for EAPN the **“soft law approach” and policy coordination mechanisms used in the last 20 years have failed to reduce monetary poverty, in-work poverty and income inequalities in an effective and sustainable manner**. This can also be illustrated by four EU-level indicators (see for more details Annex 2), clearly underpinning EAPN’s demands for EU-level action on MI and MW: The **number of people at risk of poverty or social exclusion (AROPE) remains very high**, corresponding in 2018 to about 110 million people and to a share at nearly 22% of the total population. We can also witness an **increasing rate of “working poor”**, attaining a record high (since the 2008 crisis) of nearly 10% in 2018. **Income inequalities are also on the rise**, in a way that the 20% richest people in 2017 had a disposable income that was 5.1 times higher than the poorest 20%. Finally, the 2020 Joint Employment Report reports a trend of a **decreasing ability of social transfer systems to reduce poverty** – including the minimum income schemes – and this in 2018 (compared to earlier years) for 16 out of 28 EU MS.

The **insufficient progress overall** which could be achieved by existing MIS as instrument to substantially reduce poverty, also raises the **question of the effectiveness of “soft law mechanisms”**:

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<sup>41</sup> EESC (2013): [Opinion of the European Economic and Social Committee on European minimum income and poverty indicators](#), 10 December 2013, SOC/482

<sup>42</sup> EP (2017): [Minimum income policies as a tool for fighting poverty – European Parliament resolution of 24 October 2017 on minimum income policies as a tool for fighting poverty \(2016/2270\(INI\)\)](#), P8\_TA(2017)0403

<sup>43</sup> The [2020 Joint Employment Report](#) (JER) mentions a “sharp fall in the number of people suffering from severe material deprivation” (p. 19) – achieving the lowest level with 5.9% in recent history, but still affecting nearly 30 million people.” It informs that this decrease in the number of people particularly socially excluded is “(...) mainly driven by steady improvements in countries where deprivation is high.” (...) Material and social deprivation, which captures a wider range of deprivation dimensions, shows continuing improvement as well” (p. 124).

- EAPN deplores the **lack of effective implementation in too many EU MS of the 1992 Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems**, as explained above in sub-section 3.3.2.
- EAPN also regrets the **insufficient implementation of 2008 Commission Recommendation on Active Inclusion**. It was not used as a real springboard by the European institutions to come up with concrete initiatives on MIS.
- **Not enough progress** was further made **on the basis of the 2013 Social Investment Package**. It comprised a report on the implementation of the 2008 Active Inclusion Recommendation<sup>44</sup>.
- As also explained above, **as useful as the 2017 EPSR content-wise is, it is until now – formally and legally speaking – “only” a non-binding interinstitutional declaration of principles and good political intentions**. In order to bring about progress on enforceable social rights for the European citizens it **needs to be underpinned by concrete non-legislative and legislative initiatives** by the European Commission, the EU MS and/or of the EU-level and/or national social partners<sup>45</sup>.
- For EAPN, the **European Semester**, (including also the SDGs since 2020), is the **key current and future EU policy/soft coordination instrument**. It provides effective monitoring tools. It also defines clear procedures and channels to ensure a meaningful consultation, involvement and participation of CSOs and social partners in the national-level and EU-level policy design and monitoring – at least on paper and as a rule actively supported by the EC services. **Even though in recent years CSRs for a smaller number of EU MS included an explicit focus on adequacy and/or coverage of MIS or MI benefits** (see also in sub-section 3.3.2), **this did not (yet) bring about large-scale progress**. For EAPN, it also does not make a binding EU-level instrument unnecessary.

**For EAPN and EMIN, the failure of the EU to deliver effective progress on poverty reduction, using soft instruments alone, provides convincing arguments to make the case for a binding EU-level legal instrument for MI.** Such an instrument would serve a **triple purpose**: 1) It is indispensable to **actively and effectively implement the social and human rights enshrined in several key EU documents**, all supportive of a progressive realisation of the European Social Model. 2) It would help to live up to the expectations of millions of Europeans vis-à-vis their national welfare states. 3) It would contribute to rebuilding trust in and continued support for the European (integration) project by the millions of Europeans with (very) low income levels, for those not having any tangible assets, for those facing disadvantages or vulnerabilities, for those being excluded from essential services and/or from decision making processes in our societies. EAPN (and EMIN) have identified an **appropriate and powerful legal basis for EU action** (see sub-section 3.3.4) which would serve well to achieve this aim.

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<sup>44</sup> This report included a proposal for the development of reference budgets, as part of the EC guidance to MS to reinforce the adequacy of minimum incomes. It also suggested the setting up of one-stop shops by the competent administrations to facilitate an integrated delivery of the measures for those entitled to and in need of them. The report lacked a roadmap for its implementation by and in the MS and therefore did not lead to tangible progress.

<sup>45</sup> Recital 14 of the EPSR is completely clear on this, as it reads: “The European Pillar of Social Rights expresses principles and rights essential for fair and well-functioning labour markets and welfare systems in 21st century Europe. It reaffirms some of the rights already present in the Union acquis. It adds new principles which address the challenges arising from societal, technological, and economic developments. For them to be legally enforceable, the principles and rights first require dedicated measures or legislation to be adopted at the appropriate level.”

### 3.3.4 Appropriate legal basis identified by EAPN and EMIN for an EU Framework Directive on Minimum Income

**EAPN (and EMIN) suggest using art. 153(1)h TFEU on the “integration of persons excluded from the labour market” as legal basis for a Framework Directive on Minimum Income<sup>46</sup>.** The main reasons for this choice are as follows:

- Art. 153 TFEU is to be found under Title X “Social Policy”. Art. 153(1)h TFEU applies to beneficiaries of social welfare benefits which can generally be understood to be persons excluded from the labour market. **Only Art. 153(1)h TFEU would allow the framework to include social assistance benefits and/or non-contributory social protection schemes**, whereas 153(1)c TFEU on social security and social protection of employees would only work for schemes with an employment nexus, i.e. for persons in the labour market, and/or for contributory social insurance like schemes.
- **Minimum income schemes can indeed be regarded as instruments which aim not only at the reintegration into society in general, but also at vocational (re-)integration.** They are also set up and designed to help overcome social and economic exclusions not stemming from the labour market or employment. It is nevertheless also undisputed that MIS beyond this objective aim at establishing a financial safety net of last resort for a dignified life for everybody, too.
- In his expert study Benz (2019) – cf. footnote 55 for the full bibliographical reference – argues that if the political will is there, the **personal scope of those covered by art. 153(1)h TFEU could be extended beyond those excluded from the labour market**, e.g. to persons with a physical or mental disability, to low qualified persons currently outside the labour market, to those with a low work intensity, and to homeless persons – as the task of “inclusion” in a broad sense also comprises other aspects of “social exclusion”. **This links to the integrated active inclusion approach.** For EAPN art. 153(1)h TFEU also therefore is a suitable EU Treaty basis.
- Contrary to the use of art. 153(1)c TFEU which requires unanimity in the European Council to endorse EU legislation based on it<sup>47</sup>, **the adoption of EU legislation on the basis of art. 153(1)h TFEU operates by a qualified majority vote (QMV) in the European Council.** As the appropriate legal basis for a Framework Directive on Minimum Income is likely to be challenged, this also makes **art. 153(1)h TFEU appear to be a more “workable basis”, in connection with art. 153(2) TFEU.** Art. 153(2) TFEU empowers the EU to adopt measures to support and complement the activities of Member States, including in the field of integration of persons excluded from the labour market<sup>48</sup>.

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<sup>46</sup> This proposal is backed by the 2010 [EAPN Working Document on a Framework Directive for Minimum Income](#), by a legal expert study commissioned by EAPN in 2010 – cf. Gorjão-Henriques/Sousa Ferro/Brito Camacho (2010): [An EU Directive on Adequate Minimum Income. A Legal Assessment](#) -, by the EMIN 2 Project – cf. Chapter 3 “An EU Directive on adequate Minimum Income Schemes: why and what?” (pp. 37-38) of the [Final Report of the EMIN 2 Project](#) – and by other expert studies, including by Benz 2019 (see footnote 49).

<sup>47</sup> Art. 153(1)c TFEU would not only require unanimity, but also exclude persons not defined or seen as complying with categories of employees according to social security and protection law in line with Regulation (EC) 883/2004 on the coordination of social security systems, as explained and argued for by Kingreen (2017) in his expert study commissioned by the German Ministry for Labour and Social Affairs (BMAS), entitled “*Ein verbindlicher EU-Rechtsrahmen für soziale Grundsicherungssysteme in den Mitgliedsstaaten*” – *Rechtsgutachten / BMAS Forschungsbericht 491.*, pp. 19-22 and pp. 25-28.

<sup>48</sup> Art. 153 TFEU in addition includes paragraph (1)j dedicated to the combatting of social exclusion, which, however, cannot be used as a legal basis for the adoption of directives stipulating “minimum requirements for gradual implementation, having regard to the conditions and technical rules obtaining in each of the Member States.” Art. 153 TFEU finally also includes paragraph (1)k on the modernisation of social protection systems. For this last paragraph of Art. 153 TFEU, however, the same restriction as explained before for paragraph (1)j applies.

The 2010 **EAPN Working Document on a Framework Directive for Minimum Income** and the 2010 **legal study commissioned by EAPN (An EU Directive on Adequate Minimum Income. A Legal Assessment)** had confirmed that such an instrument would comply with the EU Treaty principles of subsidiarity and proportionality, not least as it would not aim at harmonising national systems or policies in the field of social protection, including minimum income schemes<sup>49</sup>. It finally holds that **formally art. 153(2) TFEU is sufficient as a legal basis**, all the while following the legislative procedure applicable to acts encompassed by art. 153(1)h.

For EAPN, **art. 174 and 175 TFEU** – part of Title XVIII “Economic, social and territorial cohesion” – might be useful to politically and legally complement and back up a legislative proposal based on art. 153(1)h TFEU. **Both articles underpin the objective of economic and social upwards convergence**<sup>50</sup>.

### 3.3.5 Scope and aspects to be covered by an EU Framework Directive on Minimum Income

For EAPN, **what are the issues which need to be covered by an EU-level legal instrument on minimum income? And which common criteria should be used to define adequate, accessible and enabling minimum income schemes?**<sup>51</sup>

- **Common methodology for defining adequacy**, i.e. the level of benefits [= *element 1 on “adequacy”*] and their adaption to household size [= *element 2 on “adequacy”*]. In this context two points are important: 1) The **common methodology for defining adequacy of MI should build on the agreed EU at-risk-of-poverty indicator of 60% of equalised net disposable household income** as well as the agreed new social and material deprivation indicator as national references and as a comparable indicator for adequacy. 2) **The common EU-wide framework and methodology for reference budgets** should be further developed and be used to contextualise the at-risk-of-poverty threshold (= EU-level AROP indicator) with a view to gain more insight into the living standard the threshold represents in different countries.
- The aspect of adequacy also entails **provisions to cater for special and/or increased needs of individuals or groups**. This concerns e.g. single parents, persons with disabilities, or the long-term unemployed. [= *element 3 on “adequacy”*]

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<sup>49</sup> In this regard, the legal expertise refers to recital 7 of the Commission Recommendation on Active Inclusion of 3 October 2008, stipulating that in order to be in line with the principle of subsidiarity, “the Commission has indicated that it believes the principle of subsidiarity requires that MS be ‘responsible for defining the level of income support and for establishing the appropriate policy mix in the light of the different situations and needs at local, regional and national level’. This statement, however, does not imply that an EU determination of a minimum level of MI support would violate this principle.” (p. 13)

<sup>50</sup> Art. 174 TFEU reads “In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various region (...)”. The second and third sentence of art. 175 TFEU clarify that the “formulation and implementation of the Union’s policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement” and that the “Union shall also support the achievement of these objectives by the action it takes through the Structural Funds”, explicitly mentioning in the list which follows the European Social Fund (ESF).

<sup>51</sup> The issues and criteria were first developed in the 2010 EAPN Working Document on a Framework Directive for Minimum Income (you can read it [here](#), as well as the 2010 EAPN Leaflet with the main demands on MI and the 2010 EAPN Adequacy of Minimum Income Policy Explainer; all three documents are uploaded to this [page](#)) and further developed by EMIN. They are presented in form of a list of bullet points. For further reading please look into Chapter 3 “An EU Directive on adequate Minimum Income Schemes: why and what?” (pp. 37-38) of the Final Report of the EMIN 2 Project (published in December 2018) and in part 4. “Possible features of the framework directive on an adequate minimum income” of the “Own-Initiative Opinion of the German Trade Union Confederation on the Introduction of European Minimum Standards with regard to Minimum Income Schemes”. The position paper has been issued on 1 September 2020 – in DE and EN – and is fully in line with the demands of the German Anti-Poverty Network (nak).



- **Common approaches on coverage** – this aspect comprises the “individual legal entitlement for all citizens in need of assistance” [= *element 1 on “accessibility”*] and a “non-discriminatory access to MIS” [= *element 2 on “accessibility”*] as “quality criteria” – **and strong efforts to facilitate the take-up of minimum income benefits.**
- The **need and benefit of shaping MIS in line with an integrated active inclusion approach**: It goes beyond simple labour market activation measures and avoids negative conditionality (see more details in sub-chapter 3.2 and sub-section 3.3.2). [= *element 1 on “enabling”*]
- A **requirement for systematic uprating mechanisms** [= *element 4 on “adequacy”*]
- **Common information requirements**, i.e. availability of easily understandable and transparent information on the MI benefits, relevant entitlement conditions, how to apply for them, etc. (see for more details in sub-chapter 3.2) [= *element 2 on “enabling”*]
- **Requirement for independent bodies and procedures to adjudicate in cases of dispute between the administration and recipients**: This concretely implies the possibility of appeal against decision of social administration. [= *element 3 on “accessibility”*]
- **Common requirement for monitoring and evaluation of minimum income benefits**: This criterion is to realise the principle of “involvement of stakeholders including civil society organisations and people experiencing poverty and social exclusion”. [= *element 3 on “enabling”*]
- **Robust/legally binding non-regression clause** in view of existing MIS and MI benefits: This concretely means that the implementation of a Framework Directive on MI(S) would not result in a decrease of existing benefit levels or a degradation of other “quality criteria” of MIS which are already in place in a country.
- Ensuring the **link to other essential and social services** [= *element 4 on “enabling”*]
- For EAPN (and EMIN and the ETUC) it is key to ensure a **positive hierarchy with minimum wages** to stimulate active inclusion and reverse the destructive increases of working poor.

Whereas the aspects and criteria listed above<sup>52</sup> directly refer to the design of MI benefits and MIS, EAPN has identified **key additional requirements which need to be in place in order to progressively improve minimum income schemes**:

- 1) This objective can only be achieved if **each country ensures a sustainable funding base, including for MIS, based on income redistribution mechanisms and progressive tax systems.** This also will make adaptations of the Stability and Growth Pact necessary, to allow MS to use their budgets for investments in more adequate, accessible and enabling minimum income schemes, in social services (e.g. early childhood education and care and affordable and adequate social housing), in education, vocational training and lifelong learning and in labour market policies in line with an integrated active inclusion approach.

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<sup>52</sup> It is interesting to note that criteria 1 to 4 are already contained in the 1992 Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems.

- 2) In a European context and being aware of specific challenges regarding the coverage by and adequacy of MIS, **financial support from the ESF+ Fund** will be needed to support their progressive realisation and expansion<sup>53</sup>.
- 3) Both within all MS and at EU-level there is a **need for a participatory social impact assessment of MIS** and for a political commitment to use their results, e.g. in the context of the European Semester, in the existing Public Services Network on Minimum Income and by the Social Protection Committee (SPC), the Employment Committee (EMCO) and the Economic Policy Committee (EPC).

### ***3.4 Addressing concerns expressed vis-à-vis EU-level legislative action on minimum income***

EAPN is fully aware of concerns expressed when it comes to the necessity, appropriateness, possible design, but also to the competence basis for binding EU-level initiatives in relation to MI benefits or MIS. We therefore **address five frequently raised concerns and present EAPN's "responses"** to them below.

#### **Concern 1: A framework Directive is outside EU competence and lacks an appropriate legal basis.**

**EAPN reply:** Two questions are mainly asked: 1) **Is there a legal basis** for elaborating a (Framework) Directive on Minimum Income to be found in the European Treaties at all? 2) Should this be the case, **is art. 153(1)h TFEU the appropriate legal basis or not rather 153(1)c TFEU** (or another paragraph of art. 153 TFEU)? These issues are further elaborated on in sub-section 3.3.4. For EAPN, **art. 153(1)h TFEU on the "integration of persons excluded from the labour market" – together with art. 153(2) TFEU – provides an appropriate legal basis for a Framework Directive on Minimum Income.** As also explained in sub-section 3.3.4, **Art. 174 and 175 TFEU might be useful to politically and legally complement and back up a legislative proposal** based on art. 153(1)h TFEU.

#### **Concern 2: An EU-level legal instrument with binding requirements cannot take into account national specificities:**

The main fear – expressed e.g. in Nordic countries – is that entitlements to public services (free of cost or at reduced cost) in the fields of health, social services, education and training or housing for citizens needing and entitled to social assistance are not or cannot be adequately taken into account in such an instrument. These entitlements are, however, taken into consideration in national systems when calculating the amount of MI cash benefits<sup>54</sup>.

**EAPN reply:** EAPN fully understands such "logics" of minimum income benefit provision and calculation, nevertheless, cannot see why the **specificities of such "benefit packages" for social assistant recipients made up of cash benefits, benefits in kind and (social or other) public services** could not be perfectly well "reconciled" with a Framework Directive on Minimum Income. It might indeed be difficult to adequately define and calculate the counter-value of (cost-free or cost-reduced) entitlements to public services. This should, however, be feasible, at least with fairly approximative estimations. More importantly, **even if such "arrangements" and calculation methods were legally**

<sup>53</sup> The use of ESF+ money for "social investments" in MI schemes should, however, not lead to ESF+ money cut in other fields.

<sup>54</sup> Such an approach lowers the cash amounts for MI benefits compared to a "calculation method" where the full or partial counter-value of the use of public services (free of cost or at reduced cost) is added on top of the social assistance benefits (or at least to some extent) which are paid out in cash. Countries with such "logics" are therefore concerned that they would not only be incorrectly assessed and understood, e.g. when looking at adequacy levels of MI; but also discriminated against if there was an EU legislation stipulating common (methodological and procedural) minimum requirements for MIS or MI benefits.

**recognised and guaranteed – they would not need to change.** The **use of reference budgets** which take account of cross-country variations in the institutional setup of the welfare state – including public services and/or public direct or indirect subsidies for essential goods and services – as well as in the type of benefits provided, be they in cash, in kind or services, would also help to come to adequate solutions which are compatible with a binding EU-level instrument setting common (methodological and procedural) minimum requirements. Reference budgets are an adequate instrument to account for different household types when defining minimum income levels. They can also reflect related additional costs e.g. for childcare, (special) medical needs, accommodation, or (public) transport, provided they are regularly updated to account for changes e.g. in inflation. For EAPN members, this has to happen annually as even then there are time lags most felt by poor households. The Framework Directive on Minimum Income could contain **binding provisions guaranteeing the unrestricted competence of all EU MS to define the design parameters of their social protection schemes, including MI schemes and benefits.** It would then not create any additional requirements or pressure for a national system.

**Concern 3: Member States cannot comply with EU-level minimum requirements due to lack of adequate procedures for setting and/or of regularly updating adequacy of amount.**

**EAPN reply:** Should such difficulties exist, for EAPN it is clear that EU legislation on MI(S) would need to **foresee a transition period to install these procedures. EU-level instruments of policy coordination and monitoring** – e.g. in the format of participatory peer review and peer learning arrangements – **could be put in place to support adaptations needed in the MS concerned.** EAPN proposes to define for this purpose clear provisions for a meaningful involvement of relevant CSO alongside e.g. social partners and experts from academia. This could happen in fora to define the design, actual functioning and periodic evaluation of mechanisms to calculate benefit levels and to decide on their adaptations on a period basis. CSOs have first-hand knowledge of MI benefits and MIS, can share experiences of people experiencing poverty and social exclusion and, also on this basis, help developing adequate solutions for their design. **EAPN sees no reason or objective hurdle why the points referred to above could not be tackled by all MS** if some political will by all key actors is there and once the necessary administrative capacities are put in place.

**Concern 4: The gap between current benefit levels and a future agreed EU-level benchmark on adequacy for minimum income benefits is too big.**

**EAPN reply:** It is important to clarify that the **EAPN’s idea and demand is not to have the same level of MI across all EU MS, but MI benefits relative to a country’s income levels,** with the AROP indicator of the Social Scoreboard used as a benchmark against real needs and real price levels. This approach implies that there is a **need to move towards a common definition of minimum income, if reforms are to support upward convergence.** But it cannot be denied that MS with important **gaps as to the adequacy of minimum income schemes or benefits and/or of reference budgets** compared to the criteria developed in this paper (and to the EU-level AROP indicator currently used and set at 60% of median disposable household income) **will need some time to implement the necessary reforms.** They could also get coordinated and structured support from EU funds to make sustainable progress. The same holds true **for countries with considerable gaps when it comes to the effective coverage by MIS or high non-take-up rates.** For EAPN progress can be achieved with **joint roadmaps agreed between the EU MS and the EC.** For a number of MS it will be **indispensable to underpin them with EU funds, including from the ESF+, in exchange for clear written commitments for a progressive realisation**<sup>55</sup>

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<sup>55</sup> In his expert study “Towards a European framework for minimum income” commissioned by the German Trade Union Confederation (DGB) and the German Anti-Poverty Network (nak), Benz (2019) makes a detailed proposal for a step-by-step realisation of in particular adequate MIS within (about) a decade, for three groups of countries, depending on the economic strengths, public finances and current protection

**of adequate, accessible and enabling minimum income schemes** (in line with the set of criteria set out in sub-chapter 3.2). These written commitments would need to **comprise country-specific reform milestones and transparent calendars to be monitored** by EU institutions, the social partners and relevant national and EU-level CSO. For EAPN it would also make sense to support such an EU-level policy coordination and monitoring process by both **participatory peer review and peer learning arrangements**.

**Concern 5: A common framework for minimum income is impractical when each MS has different definitions of minimum income and standards of living.**

**EAPN reply:** This concern is already largely addressed in the EAPN reply to concern 4. But for the sake of clarity it is important to underline again that for EAPN a Framework Directive on Minimum Income would **not define the same level of MI across all EU MS, but MI benefits relative to a country's income and real price levels**. It would also **only deal with common methodological and procedural minimum requirements** to define and upgrade to benefit levels, to realise accessibility and to increase the coverage by MIS.

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level of benefits. The expert study *“Gutachten im Auftrag des Deutschen Gewerkschaftsbundes (DGB) und der Nationalen Armutskonferenz (nak) zur Ausgestaltung eines europäischen Rahmens für die Mindestsicherung”* was published in 2019 by the Friedrich Ebert Stiftung (FES), in a slightly adapted and renamed version (*„Ohne Fundament? Perspektiven verbindlicher EU-Mindeststandards für die Mindestsicherung“*).

## 4. FAIR MINIMUM WAGES IN THE CONTEXT OF QUALITY JOBS AND EMPLOYMENT

A study published in 2014 by Eurofound<sup>56</sup> showed that the introduction of a minimum wage level of 60% of the national median wage<sup>57</sup> would actually raise the earnings of a majority of the working poor in most EU member states. This result is still valid in 2020. The 2020 Joint Employment Report (JER) highlights that adequate minimum wages, be they statutory or collectively bargained, as they reduce wage inequalities, “may help reduce in-work poverty and (...) support aggregate demand by increasing the income of low-wage earning families, which have a higher propensity to consume.” (p. 40). Given the generally higher shares of younger workers, migrant workers and women in low-wage jobs and/or sectors, poverty-proofed minimum income would proportionally contribute to reducing the gender pay gap (and consequently also the gender pension gap) and contribute to the reduction of gender equalities and the better achievement of principles 2 (Gender Equality)<sup>58</sup> and 6 (Wages) of the EPSR.

EAPN’s interest for the issue of fair minimum wages and “angle of attack”, including on the aspects of in-work poverty and quality jobs, is sketched out above in chapter 1 and below in Annex 3. **EAPN’s overarching priority and demand have always been focused on quality jobs and decent wages.** MW should not be poverty wages but living wages. This can be well underlined by a quote from the 2017 European Meeting of People Experiencing Poverty focused on the topic of “in-work poverty”: “Instead of saying minimum wage, we should say adequate wage. We need money to live, not only to survive” (p. 19). Participants also demanded to “Tackle the wage gap between CEOs and workers” (p. 25). EAPN members also see in their daily activities that work is increasingly not a viable route out of poverty.

As in the case of MI and MIS, EU soft instruments, not least the European Semester (cf. sub-chapter 3.3.2), can help with **achieving progress towards fair (minimum) wages for all workers in the EU.** Regarding minimum wages, EAPN, however, arrives at the same assessment as for minimum income schemes: EU soft instruments alone have not been sufficient to bring about much needed improvements and social rights for all workers. This explains **EAPN’s support for the elaboration and implementation of an EU Framework on Minimum Wages.**

### 4.1 EAPN priorities, requirements, and concerns in view of EU-level action on fair minimum wages

The EAPN priorities, concerns and requirements are summarised below, also by referring to issues elaborated on more in detail in the EC Consultation Document and in sub-chapter 4.2:

- For EAPN, **the two main priorities are to establish adequate levels of net minimum wages and to ensure coverage of all workers.** The aim of having poverty-proof (minimum) wage levels is far from achieved<sup>59</sup>. This can also be attributed to deficits with the extension of social dialogue structures, collective agreements and minimum wage arrangements, mainly to

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<sup>56</sup> Eurofound (2014): Pay in Europe in the 21<sup>st</sup> century, p. 142

<sup>57</sup> The median wage is the wage exactly between half of all employees earning more and half earning less in a country whereas the average wage is calculated as the arithmetical mean of all wages divided by all wage earners.

<sup>58</sup> Principle 2, clause b. stipulates: “Women and men have the right to equal pay for work of equal value.”. Principle 6 reads in clause a. “Workers have the right to fair wages that provide for a decent standard of living.” And in the first sentence of clause b. “Adequate minimum wages shall be ensured, in a way that provide for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work.”

<sup>59</sup> The EC Consultation Document on MW informs that in “2018, the net minimum wage was below 60% of the net average wage in almost all Member States, and it was below 50% of the net average wage in about half of them.” (pp. 4-5). It further also states that “current data shows that the minimum wage is sufficient to lift a single worker out of the risk of poverty in most, but not all, Member States” – with 60% of median household income currently determined as the at-risk-of-poverty threshold in the EU – and continues that “some countries where minimum wage is not sufficient to prevent at-risk-of-poverty include countries with comparatively low minimum-to-median wage ratios (such as Czechia, Estonia, Malta, Germany), but also Latvia and Luxembourg.” (p. 5)

workers with low wages and/or (in sectors with or contractual arrangements) low bargaining power. Both aspects also have a strong gender dimension<sup>60</sup>. For EAPN, therefore **urgent action is needed to elaborate and implement an EU Framework on Minimum Wages.**

- For EAPN it is also **indispensable to ensure a positive hierarchy between the income levels required to provide a minimum income and the levels required for someone who is working.** A hierarchy (or “distance”) needs to be established between adequate minimum income benefits (and other social benefits based on social contributions) and fair/decent minimum wages. There is, however, an **important caveat** to this argument: If in a country a minimum or living wage is deemed to be what’s needed and sufficient to live on and set accordingly, then the level of minimum income should be the same for those who cannot work, as otherwise those people would automatically fall or stay in poverty.
- For EAPN one **clear benefit of having adequate minimum wages is to address and reduce in-work poverty and to increase or stabilise the “bottom line wages”, in particular in “low wage” economic sectors**<sup>61</sup>. These sectors are often in services and “stand out” with large shares of female employment and/or of migrants and/or workers in precarious forms of employment<sup>62</sup> (i.e. with temporary contracts or other forms of non-standard employment) and/or with lower education levels<sup>63</sup>. **Principle 6 of the EPSR on “Wages”,** in the last sentence of sub-principle “6b”, **explicitly mentions “in-work poverty”<sup>64</sup> and recalls as a common objective: “In-work poverty shall be prevented”.** The EC Consultation Document on MW takes this point up: *“The European Pillar of Social Rights emphasises the role of minimum wages in combatting poverty for those on low wages and supporting incentives to work, while safeguarding access to employment and competitiveness. The Pillar also underlines the importance of appropriate minimum wage setting mechanisms, including through well-established consultation procedures “according to national practices and respecting the autonomy of the social partners”.* (p. 8) For EAPN this **“hook” to develop legislation and EU-coordinated action to fight and prevent in-work poverty needs to be actively used. This objective should also figure high on the list of priorities in the future EPSR Action Plan.**
- For EAPN the **reference to the “active inclusion concept/approach” is essential.** This concept **supports** a comprehensive view and **integrated policy measures and design (going beyond the pure wage setting arena) to address poverty and social exclusion and to promote access to minimum income,** employment services and the labour market and essential and social services. This reference is already made in the EC Consultation Document on MW by underlining that *“... the Commission Recommendation on active inclusion of 2008 puts the promotion of quality jobs, including through pay and benefits, working conditions and access to lifelong learning, at the centre of EU and Member States’ action, with a view to preventing*

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<sup>60</sup> The EC Consultation Document on MW holds that MW “(...) can help the pay of low-wage earners to keep up with productivity developments. Adequate minimum wages reduce in-work poverty and wage inequality at the lower end of the wage distribution. Since more women earn wages at or around the minimum wage than men, improvements in the adequacy of the minimum wage also support gender equality.” (p. 3)

<sup>61</sup> The definition used by the EC in the Consultation Document on MW for low-wage economic sectors is “those less than two thirds of the national median wage.” (p. 2, footnote 5)

<sup>62</sup> The EC Consultation Document on MW holds that *“Among low-wage workers, those under non-standard forms of employment are particularly exposed to the risk of in-work poverty. The surge of non-standard work (including temporary employment, part-time and on-call work, as well as temporary agency work) in many Member States as a result of a growing weight of services in the economy, technological change and the emergence of new business models may increase the risk of in-work poverty among some workers.”* (pp. 2-3)

<sup>63</sup> Directly referring to the increased share of working poor, the EC Consultation Document on MW states that *“Workers with low levels of education, in service-related occupations or in elementary occupations are likely to be more affected than those with higher education or those working in other professions”.* (p. 2)

<sup>64</sup> The EC Consultation Document on MW informs that *“about one in six workers in the EU earns a low wage and this share has been on a rising trend. It rose on average in the EU from 16.7% to 17.2% between 2006 and 2014, with significant increases in some countries. In-work poverty has seen a similar trend, increasing, between 2005 and 2018, from 8.1% to 9.6%.”* (p. 2)

*in-work poverty. The Recommendation does not include specific provisions on minimum wages. Yet, fair wages – and minimum wages in particular – are at the core of the concepts of job quality and decent living standards for all. Their design is key to find the right balance in supporting fair working and living conditions while at the same time preserving the labour market attachment and employability of those on low-wage jobs.” (p. 7)*

- EAPN supports the **removal of subminimum rates** (e.g. for long-term unemployed workers or workers with disabilities<sup>65</sup>) **and of lower minimum income rates for young workers**, in line with – as on many other general points on this topic – the European Trade Union Confederation (ETUC)<sup>66</sup> and also the European Youth Forum (YFJ)<sup>67</sup>. This is also since the rate of young people aged 16 to 24 at risk of in-work-poverty is higher than on average (2018: 12.2% compared to 9.6%).
- For EAPN, **the existence of and compliance with transparent and participatory procedures (involving the social partners) to set minimum wages** is another important element characterising an effective MW system. **The same holds true for the procedures to regularly update the nominal value of minimum wages**. If such updates are not made, low-wage earners will suffer first and foremost<sup>68</sup>.

Supported by EAPN, the EC refers to the “reference budget approach to priced baskets of essential goods and services” (representing a living standard for a specific target group and/or household type)<sup>69</sup> as an indicator for the adequacy of minimum income. **EAPN is therefore concerned that the EC Consultation Document makes reference to the at-risk-of-poverty rate (60% of disposable household income) (p. 3) as a possible EU-level/common indicator and benchmark for minimum wage** as this currently is the EU indicator/benchmark to assess the adequacy for minimum income. Such a minimum-wage-related threshold would lead to a lowering of minimum wages and forcibly also drive down minimum income rates, ultimately undermining social rights. For EAPN a **nuanced approach in line with the positive hierarchy between MW and MI** referred to above therefore is to **argue the use of expanded reference budgets above the “basic reference budget” for a dignified life<sup>70</sup>**. A possible **alternative approach** would be a **% increase above the “basic reference budget”**, in order to “make work pay” and to strengthen positive incentives for work<sup>71</sup>. However, EAPN is firmly of the view that the main indicator for minimum wage should be comparable across the EU and benchmark the level of minimum wages in relation to overall wages in the labour market (i.e. the 60% of median wage).

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<sup>65</sup> In order not to discriminate against workers with a disability, wage subsidies or tax reliefs should be granted to employers by the competent public authorities, to cover additional costs linked to their employment.

<sup>66</sup> You can read [here](#) the full reply of the ETUC to the first phase social partner consultation on fair minimum wages.

<sup>67</sup> Many studies, including from the [ILO](#), show that the impact on youth employment from minimum wage rises are either zero or very small, and that subminimum wages for young people are not effective tools for improving youth employment. The Council of Europe has issued [numerous rulings to countries on subminimum wages for young people](#) which violate the ESC and are a form of age-based discrimination.

<sup>68</sup> The EC Consultation Document on MW again supports this claim: “*Statutory minimum-wage setting is not always based on clear and stable criteria, and updates do not follow a reasonable frequency or regularity in some countries.*” (...) *There is evidence that, in such systems, updates of the minimum wage tend to be less regular and frequent, which may lead to an erosion of its value. Minimum wage updating in such systems appears to be more related to the political cycle and updates appear to have more significant negative employment effects, in particular for low wage groups.*” (p. 6)

<sup>69</sup> This is the definition developed in the framework of the EU Reference Budget Group Project 2014-2015.

<sup>70</sup> It would need to incorporate the costs related to employment (i.e. travel, food, clothes, childcare, care for older family members or family members with a disability, proximity housing, possible costs for work-related training, etc.).

<sup>71</sup> This argument is again fully shared by the EC, see [EC Consultation Document on MW](#), p. 3.



## 4.2 Setting the scene at EU-level and making the case for an EU Framework for Minimum Wages

At EU level the **debate on the economic benefits of having decent minimum wages** and of the political advantages of setting common requirements for MW across the whole EU in early 2020 obtained an **important impulse** from a recent EC initiative<sup>72</sup>: On 14 January 2020 the European Commission launched a **first phase consultation of social partners under art. 154 TFEU on a possible action addressing the challenges related to fair minimum wages**. As in sub-chapter 4.1, EAPN's position on the appropriate EU-level instrument and thematic focus on minimum wages is developed by partly reacting to key points raised in this EC Consultation Document:

- EAPN backs the overall approach and main objectives set out in the consultation document: **We fully support the idea of an EU obligatory framework to establish and ensure adequacy of minimum wages in all countries**. The overarching aim of such an instrument should be to contribute to progress towards decent wages and quality jobs for all, which is expected to not least have a positive effect also for low-wage earners and on the reduction of in-work poverty.
- In EAPN's view this objective can best be achieved by the **definition and enforcement of a set of common minimum requirements all MS must comply with**. Three points stand out in this regard: 1) The **coverage of the whole workforce by minimum income arrangements**. 2) The **level of pay** and therefore the **adequacy of minimum income** (in relation to take-home pay levels sufficient to protect workers against poverty and to support a decent living on the backdrop of price levels and living costs in a given MS). 3) The **mechanisms in place to guide adjustments** of (statutory or collectively bargained and agreed) minimum wages. The first aspect is taken up in the next bullet point. The second aspect concerns the existence of lower minimum wage levels for specific groups, e.g. young workers, or people with disabilities, long-term unemployed. As explained above, EAPN supports their removal. The third aspect concerns the set of clear criteria used to monitor MW developments and to decide on updates of MW at a reasonable frequency or regularity, fully involving the social partners.
- EAPN fully supports the aim to attain a high level of **coverage of workers by sectoral collective bargaining and collective agreements** (also covering minimum wages), ideally to 100%. This holds true in particular in sectors with high shares of female employment, part-time employment, employment of migrant workers, including seasonal workers, and/or of ethnic minorities and also in the "gig economy", i.e. including platform work and other "new" and often precarious forms of contractual arrangements and labour. Starting from the current situation of partial low levels of coverage of workers by effective social dialogue and collective agreements it is important for EAPN that all EU MS have and use **procedures to extend sectoral collective agreements to those workers not covered by means of declaring them generally applicable**.
- For EAPN, the **value-added of an EU Framework would not only consist in the requirement of a minimum wage for all countries**, whilst respecting the national means and procedures to achieve this, but also in the establishment of a **clear comparable EU benchmark for adequacy**. This would also help addressing increased income inequalities and reversing growing wage

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<sup>72</sup> It had already been announced in the Policy Guidelines of Commission President Ursula von der Leyen in which she had set out the intention "to propose a legal instrument to ensure that every worker in our Union has a fair minimum wage". It had also been taken up by the Commissioner for Jobs and Social Rights, Nicolas Schmit, in his hearing at the EP. He had further committed to translate the EPSR principles into concrete action (underpinned by the EPSR Action Plan) and in this regard had explicitly mentioned the issue of MW (but e.g. also the topics "working conditions for platform workers" and "presentation of a revamped Youth Guarantee").

divergences between high and low-level wage earners in many countries. For EAPN, the reference value for a decent amount could be fixed at **60% of the median wage**<sup>73</sup>. As in the case of MI, this would and could only be the case at the end of a longer transition process, taking into account current levels of minimum income, country-specific conditions for certain groups of workers and/or sectors as well as the general economic situation of a MS. **If the benchmark chosen was the median wage, the 60% share of the national median wage, however, cannot be considered as adequate in countries where wages are very low.** There it would rather function as a general benchmark that needs to be tested against real living costs and disposable income of a worker after social benefits and taxes in each country, also by means of minimum-wage or living-wage specific reference budgets<sup>74</sup>.

- EAPN also supports the intention shown in the consultation document to **require collective bargaining and the "effective involvement of social partners in the adjustment of minimum wages"** (p.10), **as absolutely essential when setting MW**, as well as to have **"transparent national frameworks based on clear and stable criteria"** in order to achieve and upgrade minimum income.
- For EAPN an EU Framework on Minimum Wages would need to **establish a positive hierarchy vis-à-vis adequate minimum income**. The "reference" net statutory minimum wage would need to be set above the poverty threshold (which is set in the EU context to 60% of the national median equivalised disposable income after social transfers<sup>75</sup>) in order to provide a positive and rights-based incentive to work and/or to avoid the driving down of basic benefits<sup>76</sup>.

For EAPN, the **EC proposal to set up binding EU-level requirements to ensure fair minimum wages for all workers in the EU** which can be read from the EC Consultation Document is **timely**:

- Once realised, it would have a **stabilising effect for the financial basis of social protection schemes** and bring about a certain improvement for low-wage earners as low wages mean low social security contributions, causing repercussions on potential unemployment benefits and future pensions and therefore "prolonging" the vicious circle of being at risk of poverty throughout the life course<sup>77</sup>.
- Raising the lower wage segment by moving towards poverty-proof statutory MW would **broaden the tax basis for governments**, too.
- An EU Framework for Minimum Wages **would also help addressing three challenges inherent to the internal market**: Generalised minimum requirements and procedures for minimum wages would first have a **positive effect for the upwards economic and social convergence**

<sup>73</sup> In Ireland and the UK NGOs and trade unions refer to and advocate for living wages to secure adequate MW, underpinned by related budgeting methods and standards.

<sup>74</sup> In Ireland the living wage calculation ([www.budgeting.ie/living-wage/](http://www.budgeting.ie/living-wage/)) recognises that there are direct additional costs related to going to work and this results in a difference compared to minimum income levels. It is done by the Living Wage Technical Group, including trade unions. This approach is well related to the aspect of adequacy.

<sup>75</sup> See [here](#) the relevant EUROSTAT definitions, used in the context of the Europe 2020 Strategy and the European Semester, but also in the annual EC Employment and Social Development Reports (here for [2019](#)).

<sup>76</sup> Such a "benchmark" would also counter labour market activation policies which would push people into low quality and/or precarious employment by means of punitive conditionalities.

<sup>77</sup> EAPN NL underpins this argument by highlighting an opinion issued in April 2020 by the Dutch Central Planning Bureau (CPB), stating that an increase of 10% of the minimum wage would not be a big problem for the Dutch economy (not least as Germany has for some years had a statutory minimum wage). It illustrates the importance of EU pressure for adequate minimum income and fair minimum wages and of EU-wide reporting and monitoring exercises. In the Netherlands, an increase of the minimum wage induces an increase of social assistance and of the state pension (AOW) to the same degree.

**within the EU.** They would secondly **reduce incentives for cross-country wage competition and social dumping** and a further spread of cases of precarious employment conditions, not least in the lower wage segments of our economies and/or in sectors with lower levels of coverage by collective agreements and/or less effective protection by “traditional” labour law instruments. They would thirdly **bring about a macro-economic stabilising effect in all EU MS**<sup>78</sup>. For EAPN the above arguments are even more convincing against the backdrop of increased income inequalities within EU MS and growing divergences when it comes to wage developments between EU MS and between sectors within the countries<sup>79</sup>.

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<sup>78</sup> The EC Consultation Document on MW mentions these benefits: “An EU initiative on fair minimum wages would help Member States achieve upward convergence in working conditions. By supporting adequate minimum wages for all workers, an EU action would help overcome increasing disparities in working conditions, especially for low-wage workers. (...) In line with the ambition of ensuring an economy that works for people, an EU initiative would help increase the purchasing power of low-wage earners across Member States, and thus contribute to stimulating domestic demand, whilst preserving employment and competitiveness.” (p. 9). This argument is also supported by the 2020 JER which highlights “the key role of wage growth, especially at the bottom of the wage scale, in sustaining demand, reducing income inequalities and in-work poverty.” (p. 39-40)

<sup>79</sup> The EC shares this analysis in the 2020 JER (p. 5): “Contrary to 2017, income inequality increased again slightly in 2018 and remains high: the richest 20% had a disposable income 5.2 times higher than the poorest 20% (from 5.1 in 2017). The design of minimum wage setting and tax and benefits systems, and improving access to education, vocational training and the labour market, better access to affordable and quality health and social, promoting gender equality and addressing regional disparities are identified as key factors in combatting this trend.”

## 5. THE WAY FORWARD

Looking at the EU-level policy arena in 2020 and beyond, a **window of opportunity** to increase the adequacy of income (minimum income and minimum wage) has recently opened. This is now even more the case considering the economic and social effects of COVID19 in particular on poor and vulnerable groups. The **EPSR and the Action Plan**– to be issued by the EC after a long period of consultation in early 2021 – and the **revised European Semester** – with the Sustainable Development Goals (SDGs) integrated since this year – still present **relevant “hooks” for policy change**.

A broadly shared political will to **re-commit the European integration project to more “social and economic upwards convergence”** is not only present in the Political Guidelines of the new EC and in some of the first political and legislative initiatives launched, but has also been expressed by other key actors and also is a guiding theme for the social and employment part of the forthcoming German EU Council Presidency in the second half of 2020.

For EAPN such a **commitment to make social progress a reality** would need to be accompanied by **legislative and non-legislative initiatives to strengthen the social and human rights basis of European citizenship**. The two main rationales behind this demand are the need to make this abstract concept much more tangible and also practically relevant when it comes to the actual working and living conditions of all Europeans, but also to win back legitimacy and political support from the European population, including from those people who have been largely excluded or deprived in the past from the benefits of economic growth and the fundamental freedoms of the internal market.

**EAPN sees a continued urgent need for joint action at EU and MS level to effectively deliver on the existing commitments towards adequate minimum income**, on the basis of the 1992 Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems, the 2008 Commission Recommendation on Active Inclusion and the 2017 EPSR. EAPN advocates for a continued improvement of soft EU instruments, whilst building in parallel support for hard law. **When elaborating and implementing a Framework Directive on Minimum Income, it will be crucial to ensure full respect for national competences and responsibilities to decide on the design parameters of their social protection schemes, including on MI, and on national, regional and/or local policies deployed to reduce poverty and social exclusion. However, if a level playing field is to be established across all MS, progress must be made on common EU-level frameworks, definitions, and comparable levels.**

For EAPN to **achieve progress on adequate minimum income**, the Europe 2020 Strategy would need to be updated and “re-confirmed” in the framework of a **coherent, Europe 2030 Strategy, including poverty-reduction targets, benchmarks and indicators agreed at EU-level**, to make European social citizenship real and palpable when it comes to MI and MIS<sup>80</sup>. A way forward towards adequate minimum income schemes therefore consists in **pursuing a mix of legislation, a post Europe 2020 Strategy with a renewed anti-poverty strategy and ambitious poverty reduction targets, ESF+ use, continued work of the Public Services Network on Minimum Income, and a use of the reshaped European Semester**.

In terms of **minimum wages**, whilst **EAPN strongly defends an obligatory EU framework**, EAPN supports the role of social partners in a **(future) EU Framework on Minimum Wages** and recognises the need to respect non-interference in national wage negotiation and setting arrangements. EAPN

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<sup>80</sup> It is important to recall that already the [Revised EMIN Road Map](#) of November 2017 had asked for progress on upward convergence through the soft instruments, particularly through the Semester and EU funds, and a hard instrument, i.e. a Framework Directive on MI. This demand and the one for an EU Framework Directive on MI is also elaborated on in the [EAPN Proposals for a post Europe 2020 Strategy](#).

fully backs the trade unions' request for the extension of collective bargaining and existing collective agreements on MW by government bodies, declaring them generally applicable, or by means of other regulated and binding procedure producing the same effect. The work towards an obligatory EU Framework on Fair Minimum Wages would again need to be embedded in a post Europe 2020 Strategy and the reshaped European Semester. As proposed in view of the 2019 Council Recommendation on access to social protection for workers and self-employed, for EAPN a meaningful involvement of EU-level and national civil society organisations – particularly of those working with people with low wages, affected by in-work poverty and or in precarious employment arrangements – in all future steps taken towards the adoption of an obligatory EU framework on Minimum Wages is not only beneficial, but also essential. This will not only allow the EU initiative to bring in the experiences and voices of people experiencing poverty and social exclusion, but also to ensure accountability and to monitor the effectiveness of national and EU-level social rights.

Elaborating and implementing **overarching EU-level rules and (procedural and methodological) minimum requirements on MI and MW will help realise social rights and human dignity and counterbalance dominant EU internal market instruments and dynamics**<sup>81</sup>, as it has been the case in the last two decades. For EAPN, **EU-level binding instruments with a common set of such minimum requirements and provisions** (considering coverage, accessibility, adequacy, enabling character and regular updates of amounts) are vital and necessary instruments to ensure adequate income for all across the EU.

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<sup>81</sup> For EAPN the same would apply to a more recent proposal – e.g. by the Austrian Trade Union Confederation (ÖGB) and supported by the German Trade Union Confederation (DGB) or by the EESC's Workers' Group – to establish common minimum standards for unemployment insurance schemes in EU Member States which for the political and economic reasoning is rather similar to EAPN's take on minimum income (schemes).

## BACKGROUND INFORMATION

### ANNEX 1: BUILDING UP EVIDENCE AND DEVELOPING A NARRATIVE AND LINES OF ARGUMENTATION ON MINIMUM INCOME

In the context of two EMIN projects **evidence for 32 countries was collected** (including examples of promising practice and of progress made in view of having adequate minimum income schemes) **and arguments to underpin the need for an EU-level obligatory framework on MI identified**. EAPN has been a leading advocate on minimum income and on exploring the need and basis for a framework directive. Continued work and efforts contributed to the drafting and adoption of the 2008 Commission Recommendation on Active Inclusion and to helpful “hooks” in the 2013 EESC Opinion and the 2017 EP Resolution. In 2010 EAPN issued the Working Document on a Framework Directive on Minimum Income, a Leaflet with the main demands on MI and the 2010 EAPN Adequacy of Minimum Income Policy Explainer; all three documents in the context of a campaign on MI). EAPN was also responsible for developing and coordinating the European Minimum Income Network (EMIN). EMIN research and publications have shown that that MIS represent a very small percentage of social spending across all EU MS, while having a high return on investment. EAPN has also actively contributed to the elaboration of a Social Platform Position Paper on an EU Directive on Adequate Minimum Income adopted on 24 June 2015. In the last years **EAPN members built up additional evidence included in the “Poverty Watch” reports<sup>82</sup>**. In close cooperation with its members **EAPN has also been actively contributing to the European Semester Process<sup>83</sup>**, in all the last years also supporting the EC to keep a continued focus on “minimum income” (and to a lesser extent on “minimum wages” and “job quality”). These efforts are reflected in an increasing number of CSRs on minimum income, particularly since 2013, and a slightly better focus in recent years on still persisting problems as to the adequacy and accessibility, mainly for countries lagging far behind already the EU average, not to speak about the few “forerunners” amongst EU MS.

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<sup>82</sup> See EAPN (2019): EAPN National Poverty Watch Reports. Summary of Main Findings and Recommendations.

<sup>83</sup> EAPN’s joint reviews of the Annual Growth Survey (AGS, until 2019)/Annual Sustainable Growth Strategy (ASGS, as of the 2020 European Semester cycle), the Joint Employment Reports (JER), the Country Report, the National Reform Programmes (NRP) and the Country-Specific Recommendations (CSR) can be accessed [here](#).

## ANNEX 2: SOME RECENT DATA ON POVERTY, SOCIAL EXCLUSION, AND INCOME INEQUALITY ACROSS EUROPE

EAPN's [response](#) to the 2020 Annual Sustainable Growth Strategy (ASGS) and the EC Proposal for a Joint Employment Report (JER) contains a number of **data to illustrate the still concerning high levels of income and in-work poverty in the majority of the EU MS**. A small selection is presented below:

- The **number of people at risk of poverty or social exclusion (AROPE)**<sup>84</sup> across the EU remains very high, corresponding in 2018 to about 110 million people or nearly 22% of the total population. Looking at the 2018 Eurostat data, the poverty reduction target of Europe 2020 Strategy – set to 20 mio. people – was missed by about 14 mio., a worryingly high number. It also illustrates that political commitments were not lived up to, neither at MS nor at EU-level.
- **Across Europe certain groups are disproportionately at the risk of poverty and social exclusion**<sup>85</sup>, such as children (with an AROPE rate of 24.3% in 2018), people with long-standing health problems, persons with a disability (29.3% for all and attaining 36.2% for those with a severe disability), people with low educational attainment (34.3%), migrants – in particular persons 18+ born outside the EU (38.3%) – and ethnic minorities, particularly Roma, single parents with children (47.0%) and unemployed persons (with an AROPE rate of 67.1%)<sup>86</sup>. These rates also indirectly illustrate the fact that **poverty is a multi-dimensional phenomenon**.
- A concerning development is the **increasing rate of in-work poverty**, 9.5% in 2018 compared to 8.5% in 2008<sup>87</sup>. This captures the share of persons in employment but having an equivalised disposable income – or “take-home pay” – below the risk-of-poverty threshold. This increase as a rule is also an indirect indicator of the low coverage of the workforce concerned by collective agreements and adequate, i.e. poverty-proof, minimum income arrangements<sup>88</sup>. Working poor often also are concentrated in sectors with a weak trade union density. Both factors negatively affect the coverage by collective agreements (including on minimum income) and the relative levels of minimum income.
- **2018 was the fifth year for which the at-risk of poverty rate for persons living in very low work intensity households** (i.e. at less than 20% of their capacity) **had increased** and reached 62.1%. Low income from employment for this category of households has been identified as a trend to watch by the Social Protection Committee in its 2019 Annual Report.

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<sup>84</sup> The AROPE indicator incorporates three types of/approaches to the measurement for poverty, relative or monetary poverty (with the risk at poverty threshold set at 60% of equalised net disposable household income), severe material deprivation (inability to pay for at least 4 out of 9 specific items which normally indicate decent living standard in a given society) and low work-intensity households (individuals at working age working less than 20% of their total work potential during the past year). If the three components are added separately, we in 2018 arrive at 148.8 mio. Europeans, if they are “blended” to take account of the overlaps between the three categories, i.e. people can fall into one, two or even all three categories, the result is the 110 European (AROPE) figure.

<sup>85</sup> Data presented in this paragraph are from the following source – Eurostat: [Smarter, greener, more inclusive? Indicators to support the Europe 2020 Strategy](#). 2019 edition, p. 66 –, except for the two individually referred to.

<sup>86</sup> European Commission (2019): [Joint Employment Report 2020](#), pp. 122 and 125; Eurostat (2019): [Smarter, greener, more inclusive? Indicators to support the Europe 2020 Strategy](#), p. 66

<sup>87</sup> The [2020 Joint Employment Report \(JER\)](#) acknowledges the persistence of in-work poverty, which remains “historically high” (p. 39) and well above pre-crisis levels (at 9.6% in 2016, 9.4% in 2017 and 9.5% in 2018 compared to 8.6% in 2008 and 8.3% in 2010) and states that the “in-work poverty risk is strongly associated with the type of contract” (p. 40), with a clearly higher incidence for employees with a temporary contract (16.2% in 2018) (p. 7) compared to those with a permanent contract (6.1%)

<sup>88</sup> The EC [2019 Employment and Social Developments in Europe Report](#) states that from 2008 to 2017, in-work poverty increased in the majority (16 out of 28) of EU MS (p. 78, Chart 2.5), with below-average rates to be found in those EU MS with the highest trade union density. This finding clearly indicates that by means of wage negotiation, including on MW, as well as through their involvement in welfare and social security policies social partners can contribute to a reduction of in-work poverty and to social sustainability. (Chart 6.3; p. 214)

- We also witness **increasing income inequalities**: Using the 20/80 income quintile indicator of the Social Scoreboard, in 2017 the 20% richest people had a disposable income which was 5.1 times higher than of the poorest 20%, reports the 2020 Joint Employment Report (JER).
- EAPN also is strongly alarmed by the trend of a **decreasing ability of social transfer systems to reduce poverty** the 2020 Joint Employment Report (JER), describes for in 16 out of 28 EU MS (comparing 2018 data to those from earlier years). This is a particularly critical indicator as it **also informs on the effectiveness of minimum income schemes as integral parts of the social protection schemes**.



### ANNEX 3: EAPN WORK ON AND INTEREST FOR THE TOPIC OF FAIR MINIMUM WAGES AND LIVING WAGES

EAPN in 2011 elaborated 10 EAPN Principles for Quality Work reflecting our members' view on what constitutes a quality job and decent working conditions<sup>89</sup> – not surprisingly the issue of adequate wages and of living wages is listed first<sup>90</sup>. EAPN then actively contributed to the elaboration of a Social Platform Position Paper on Minimum Wage which was adopted on 26 February 2015. In 2017 EAPN issued a Position Paper on Inclusive Labour Markets – Building pathway approaches to quality employment, further elaborating on the EAPN's view on inclusive labour markets which would “holistically support those who can work into quality employment, while equally promoting social participation and dignified lives for those who cannot work” (p. 4). It also built on an integrated active inclusion approach and highlighting the benefits of job quality and access to suitable jobs as well as personalised, integrated support to (re-)enter the labour market. In 2018 EAPN published the Analysis Paper “The Future of Work’: Labour market trends and the risks to poverty and social exclusion” which also deals with quality work and the quality of contractual arrangements and contains EAPN's related proposals and recommendations. Already in 2013 EAPN had issued a Position Paper on In-Work Poverty and in 2014 had elaborated the EAPN Explainer on Quality Work and Employment. The 2017 European Meeting of People Experiencing Poverty focused exclusively on in-work poverty. EAPN, organising the meeting and bringing together PeP from more than 30 countries to learn from their experiences, to make their voices heard and to promote participatory processes of policy design and monitoring, also in relation to job quality and decent pay, produced a full report and a short report with key messages to policy makers. Much of all this earlier work was taken up in a Compendium of Promising Practices – Combatting In-Work Poverty published in 2019. In recent years EAPN also has monitored the quality of jobs, wages and employment through the European Semester.

In 2015 **EAPN engaged in a coordinated awareness raising action on decent pay and living wages**. This work was inspired by the fact that national statutory or collectively negotiated (sectoral or national) minimum wages do often not come with a guarantee of providing sufficient income to lift all workers above the poverty threshold, by convention agreed at EU level to 60% of the national median equivalised disposable income after social transfers. The term “living wage” emerged – in a European context in particular in the UK and Ireland – from evidence showing that **in order to provide a worker with an acceptable standard of living decent wages through paid work such wages would need to surpass the generally rather low limits set by (national or sectoral) minimum wage rates**, being mainly a helpful tool to curb extreme low wages. The living wage concept and debate become more **important and urgent on the backdrop of in-work poverty being on the rise in many MS**. An EAPN Task Force elaborated a Campaign Guide (sharing “real life” examples from Scotland and other parts of the UK, proposing a methodology to calculate a living wage rate, highlighting the partnership approach with trade unions, employers, other NGOs and government institutions, etc.), put together a Background Note on Living Wages. The two pager “Living Wage – A Cornerstone for Decent Lives” contains 10 arguments for the introduction of living wages. **As this is true for minimum wages, living wages are also one aspect of a range of interconnected elements** (as reflected in the integrated active inclusion approach) that need to be addressed, if people are to have a job that provides them and their families with a decent standard of living, while also ensuring the health and well-being and employment and job quality. Finally, wages (across all levels) are calculated for an individual worker without taking into account their household context and if there are (economically dependent) household members. Where existing living wages are related to the minimum income schemes and provisions (as in Scotland and other parts of the UK to the Minimum Income Standard), they **do not**

<sup>89</sup> In line with the ILO Decent Work concept, principles and agenda.

<sup>90</sup> The other key issues covered comprise employment rights, social protection, quality working conditions and working environment, the reconciliation of private and professional life, the right to participate in collective bargaining and social dialogue, protection against discrimination, access to training and personal development, progression in work, and job satisfaction.

**seek to establish a level of pay which would be adequate for all household types**, including those with children and/or persons with other care needs. Benefits from other social protection systems, in-work benefits and/or tax allowances or credits are still needed to reach an acceptable standard of living and are, as a general rule, also taken into account when calculating living wages.

In the same year **EAPN contributed to a debate on minimum wages organised by Euranetplus from the EP discussing the need for an EU minimum wage**. Eurostat data had indicated still existing disparities between Member States amounting to a ratio of 1 to 4 when adjusted from nominal values to actual purchasing power. One question was how to best reduce divergences between MS currently still at a level to provoke distortions to the functioning of the internal market and not providing a level playing field for all EU citizens and workers to fair and adequate (minimum) wages and decent employment and working conditions. **EAPN advocated for a holistic approach and supported an EU-level framework on minimum wages**, not least as an instrument to supportive of more economic and territorial cohesion, to protect the fundamental rights of the individual, to guarantee a balance between economic and social objectives and to redistribute wealth and income in a fairer way.

## **ANNEX 4: STATUS OF THE DOCUMENT**

This EAPN Position Paper is issued on behalf of the EU Inclusion Strategies Group (EUISG) which has delegated powers within EAPN to develop EAPN Policy Position Papers and Reports. It was drafted by Mathias Maucher (EAPN Policy Team) in February and March 2020, building on existing EAPN policy and advocacy work and on reports issued in the context of the EMIN 1 and 2 Projects. The draft was circulated to the entire membership on 30 March 2020 with 5 weeks for inputs. Written comments and inputs were received by EAPN CZ, EAPN DE, EAPN FI, EAPN IE, EAPN NL, EAPN NO and EAPN PT as well as by IFSW Europe prior to an online EUISG webinar on 6 May 2020 and the four following working days. Additional oral feedback was received from EAPN DK, ES and UK during the webinar. Most of the comments and inputs were incorporated in the final text which was finalised on 15 May 2020.

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