Towards a European minimum income? Discussions, issues and prospects

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Introduction

Never before has there been such social inequality and poverty in the European Union (EU), and the situation has continued to deteriorate since the beginning of the severe economic and financial crisis affecting Europe. The EU's sometimes drastic fiscal austerity policies have contributed to this growth in poverty and inequalities. Such is the worrying assessment that must be drawn for 2013 (European Commission 2014, SPC 2014).

In 2012, almost 84.1 million Europeans – 16.9% of the population – were living below the relative poverty line – a threshold set at 60% of the equivalent national median income. According to the extended definition of poverty and social exclusion used to set the EU's quantified poverty reduction objective in the Europe 2020 Strategy, more than 124.5 million Europeans are in this situation, i.e. almost 1 in 4 people in Europe (24.8%) (Eurostat 2013). This is a shocking figure, especially since poverty has become more severe and more persistent since the beginning of the crisis (European Commission 2013). These European averages mask greatly varying situations between European countries. There is increasing divergence between, in particular, Northern countries, on the one side, and Southern or 'peripheral' countries on the other, with converging situations within these groups, even between eurozone members and non-members (European Commission 2014).

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1. This chapter is taken from a report drawn up by the European Social Observatory (OSE) at the request of the Workers' Group of the European Economic and Social Committee (Peña-Casas *et al.* 2013). The views expressed in it are those of the authors.

Although since 2007 two successive serious economic and financial crises have contributed to an increase in precarity and poverty within the European Union, social protection arrangements in most Member States have nevertheless helped to cushion the effects of the crisis. They have been severely tested – torn between, on the one hand, increased calls on their resources as a result of the crisis, and, on the other, restrictions placed on them by the need for fiscal austerity. Initially, following the onset of the financial crisis in 2007, social expenditure increased, acting as a macroeconomic stabiliser. However, as of the financial crisis of 2011, this trend was reversed, although the social situation continued to deteriorate. Social expenditure was targeted by fiscal austerity strategies and at the same time became procyclical (European Commission 2014). Social protection systems were called into question as expensive, unfair and economically inefficient – and this too contributed to an increase in poverty and social exclusion in a large number of Member States. The recent deterioration of the social and economic situation in many European countries is thus the outcome of two phenomena, each of which has fed into the other: low or negative economic growth in a context of stagnating crisis, and the reduction of social expenditure and, more generally, of public expenditure as a whole (OECD 2014, SPC 2014).

The current crisis has highlighted, in particular, the essential role played by the most low-profile and residual of the social protection schemes: the last-resort schemes providing a minimum income to citizens who can themselves no longer scrape together the financial resources needed for a decent standard of living. In this chapter, we shall focus our attention on universal guaranteed minimum income (GMI) schemes available to the working-age population. These national policies have offset the effects of the economic and financial crisis and have made it possible to contain poverty, to varying extents, depending on their own inherent effectiveness and the constraints placed upon them by the context of austerity (SPC 2013 and 2014).

Discussions of minimum income schemes have focused on two main questions: financial adequacy, and their potential effectiveness in combating poverty or in terms of employability policies. The adequacy or otherwise of the benefits provided is a concern, since the target groups, generally socially excluded, may have very varied social and economic characteristics. Another frequent debate has concerned the extent to which minimum income schemes have an effective impact on poverty and employment, in the light of potential financial (dis)incentives and the criticisms levelled against activation policies. Over the last twenty years, social policy reforms have focused on the need for 'active' and 'activating' support allowing for a return to employment (Weishaupt 2013, Betzelt and Bothfeld 2011).

Against this rather gloomy and very diverse backdrop arises the question of whether there should be a European minimum income scheme expressing greater European solidarity, i.e., a European instrument related to non-contributory minimum income schemes geared towards those of working age and able to work[2]. The renewed interest in this idea is also part of a more general trend concerning social protection. Thus, as well as the idea of a European minimum income (EAPN 2014, ETUC 2013, EESC 2013, European Parliament 2010, EAPN 2010), there have been various initiatives concerning the idea of a European unemployment insurance scheme (cf. the chapter by Fichtner), the desire to establish a minimum wage in each Member State (European Commission 2012) as well as citizens' initiatives to establish a universal basic income scheme in Europe. None of these ideas are new, but it is no coincidence that these ideas and demands are all coming to the fore at this time of crisis. Faced with a severe deterioration in the social situation within the EU, Europeans are, more than ever before, expecting Europe to take action to promote solidarity and social progress.

This chapter begins with an account of the current situation regarding minimum incomes in Europe: common features and differences, as well as the limitations faced by national policies (Section 1). The European Union itself has launched a number of initiatives over the years (Section 2), but these have come up against difficulties and institutional barriers. Given these circumstances, there have been increasingly frequent calls for the setting up of a minimum income policy at European level (EGMI), as a tangible expression of the European Social Model. In Section 3, we address the potential objectives of such a scheme, the financial resources necessary, and the possibility of setting up a European minimum income fund.

2. This chapter does not, therefore, consider minimum income schemes for particular categories of the population (old-age schemes, etc.), or minimum wages, organised and managed by the social partners, even though these are relevant to the discussion of certain elements of GMI schemes.

1. The current situation in Europe

1.1 National policies: similarities and differences

As things currently stand, 26 of the 28 Member States have established measures to guarantee a minimum income to the working-age population. National social assistance or welfare schemes have been developed over the years, taking various approaches responding to the concerns of the time. Guaranteed minimum income (GMI) schemes began to appear gradually following the Second World War in a number of Western countries, as last-resort, universal and 'residual' components of social welfare regimes, designed to offer protection to citizens who were temporarily unable to provide a decent or sufficient standard of living by their earnings alone (United Kingdom 1948, Finland 1956, Sweden 1947, Germany 1961). After the oil crisis of the 1970s, characterised by increasing levels of unemployment and the emergence of the 'new poor', the GMI schemes introduced or revised in most Western European countries (BE, FR, DK, IE, UK, NL in the 1970s; FR, LU and SE in the 1980s) had two main objectives: to guarantee a minimum level of resources, and to bring beneficiaries onto the labour market. This so-called 'activation' approach has been taken since the 1990s, in various forms and under various headings: the 'active welfare state', 'flexicurity', etc. The concept behind this approach is that of 'full citizenship', based on social inclusion and active integration of GMI beneficiaries into the social and working life of their countries (Weishaupt 2013, Betzelt and Bothfeld 2011). In the countries of Central and Eastern Europe, with the encouragement, in particular, of the World Bank, national GMI schemes were set up following the transition period (1990-2000) from the Soviet-era planned economies to the market economy – a change that resulted in a significant increase in poverty.

The current situation – the outcome of the development of national schemes in the absence of coordination at European level – reveals strong similarities between all the national systems in Europe, as well as some differences, partially reflecting the specific types of scheme.

1.1.1 Similarities

The seemingly diverse approaches and characteristics of the schemes mask, in fact, the existence of many common features at the core of the systems. It is vital to identify these similarities, not only in order to analyse national schemes, but also in order to understand and design any future European policy. National systems:

- have been set up as statutory last-resort systems, and, on this basis, constitute the final safety net of the social welfare regime;
- are, in all cases, a subjective right, since individuals must apply to the schemes;
- include, to differing extents, discretionary elements (a partially subjective assessment of needs by assessment committees);
- all, to differing extents, include the requirement that people able to work be available for work, and actively seek work;
- are subject to certain eligibility conditions concerning the resources needed to maintain a decent standard of living, or to meet minimum needs;
- take the form of a differential amount, making up the difference between household resources and a reference threshold established by law or regulation;
- provide differing amounts to individual households, based on (accumulated) income, size and composition of household;
- set no time limit on the duration of benefits;
- are available to all citizens of the country, as well as to citizens of another Member State when these have become legal residents of the country;
- are, in all countries, financed by taxes (Peña-Casas *et al.* 2013).

The conception of a future European minimum income system, presented in the next few sections, is largely based on these features, which are strongly ingrained, both ideologically and technically, in national policies. They are a source of inspiration for the new model, but also potentially act as constraints.

1.1.2 Differences between national schemes

Although there seem to be many common features between schemes, there are also differences, in terms of institutional organisation, levels of benefits, age and eligibility criteria, income components considered, the composition of families or households, activation conditions, etc.

Attempts have been made to develop typologies of the, at times, significant differences between countries, to show both the internal similarities and structural differences. Such attempts have used criteria such as institutional structures, degree of coverage, conditions of eligibility or level of benefit. This exercise is made even more difficult by the fact that GMI schemes in Europe have undergone many reforms over the last 20 years, especially since the recent crises (Bahle *et al.* 2011, Marchal *et al.* 2011). Of these many typologies, we will use that of Crepaldi *et al.* (2010), which is based on the degree of universality of schemes. It distinguishes between two large groups. The first of these contains countries with a universal GMI scheme providing support to all people with insufficient resources. In these countries, the GMI is the sole (or main) support scheme. The second group is made up of countries where GMI schemes are last-resort schemes for those who are not eligible for another category-based scheme. In these countries, a general GMI scheme co-exists with a number of schemes targeted at particular groups. Overall, European countries can, depending on their degree of universality, all be placed somewhere on a continuous scale taking in these two groups (represented by the black dots in Table 1). As well as these two large groups, there is a group made up of countries that only have local schemes or schemes open only to certain categories.

Table 1 **Typology of European GMI schemes on 1 January 2013**

Universal		Last resort		Local and/or category-based
●●●●	●●●	●●	●	
BE FR LU	AT BG CZ	CY EE FI HU	DE IE UK	GR IT
MT PT RO	DK LV PL	NL SK SI SE	LT ES HR	

Source: Peña-Casas *et al.* 2013, based on Crepaldi *et al.* 2010; using data from the MISSOC (Mutual Information System on Social Protection).

1.2 Concerns and limitations of national policies

As we have already noted, most discussions on a European minimum income focus on two main issues: firstly, adequacy of benefits, i.e. what is a sufficient level of income, given the diversity of situations and the fact that the scheme is part of a structured welfare system targeted at poverty and social contingencies, and, secondly, the effectiveness of the scheme – external effectiveness with respect to its link with activation policies, and internal effectiveness in terms of the very high level of non-take-up of the schemes.

1.2.1 An adequate policy?

Discussions have centred on minimum income as a key element in combating poverty and social exclusion. Support of an adequate income (Veit-Wilson 1998) is regarded as essential to a life lived with dignity. It is seen as a safety net ensuring that those not entitled to other forms of assistance do not end up destitute, and is considered as vital support for the most vulnerable groups, enabling them to take an active part in the life of their community or society. More traditionally, the purpose of the minimum income is to ensure that the individual's basic needs are met; it therefore plays an important role in attenuating the social impact of the recession, maintaining the purchasing power of consumers and even kick-starting the economy.

GMI schemes are a vital last bastion in the fight against poverty, but they are only one element of a broader integrated social welfare system. Their role in combating poverty, therefore, is subject to two limitations. Firstly, GMI schemes do not reach all poor households. In 2011, with the exception of a small group of countries (LT, EE, PL) in which 7 to 9.9% of the working population received a minimum income, the proportion of beneficiaries was below 5%. This implies a considerable gap between the number of people receiving a GMI and the share of the population in a situation of relative poverty, i.e. below the threshold of 60% of median national income. This difference exists largely because many people do not claim the GMI to which they are entitled (cf. below). Moreover, income from the GMI often represents only a small share of the income of poor households (less than 10% of total income). Other social transfers, as well as earnings, made up almost three quarters of the income of poor households in Europe in 2011. Nevertheless, the GMI accounted for a larger share of the total income of extremely poor households (living below the 40% poverty line). This confirms its role as a last-resort scheme (Peña-Casas *et al.* 2013).

The issue of adequacy is particularly sensitive because minimum income policies are part of a more general and structured context, due to the multidimensional nature of poverty (European Commission

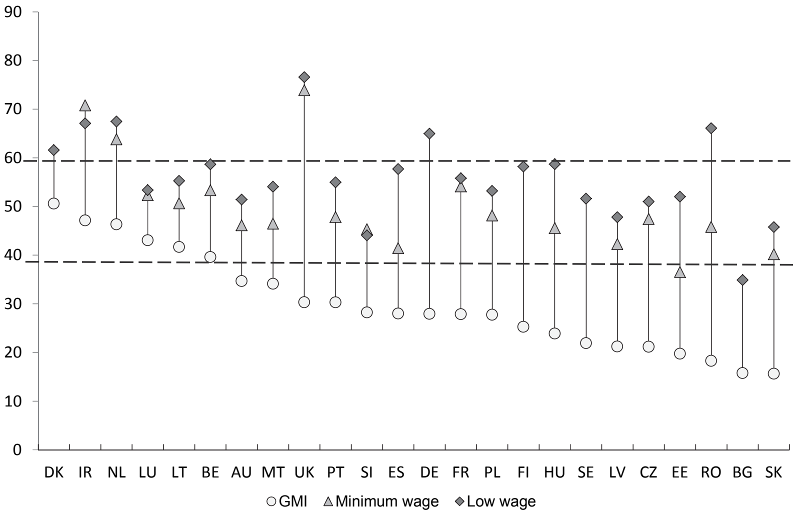
2008) and to the diversity of social groups: the working poor, long-term unemployed, the disabled, homeless, etc. (Immervoll 2010). In most cases, purely economic support is insufficient to help people to escape from poverty and social exclusion. For this, more complex and individually-tailored support is often required. Although most assistance schemes agree on the policies necessary (education, housing, etc.), it seems to be left to national and local players to decide how these will be structured, with no clear message given as to how to manage priorities.

According to Frazer and Marlier (2009), most Member States do not have a clear definition of their scheme as aiming to provide adequate minimum income, guaranteeing the right of an individual to live in dignity. There are, then, different understandings (which must be taken into account) of what is meant by adequate: types of income, share of the population covered, eligibility for the various existing schemes and, above all, the political response needed to address the problem (EAPN 2010). The effectiveness of social welfare transfers in alleviating poverty varies greatly from country to country, and these differences are in part a reflection of differences between national GMI schemes. The level of income provided by the GMI scheme also varies greatly between countries. Nowhere in the EU does it reach the poverty line of 60% of median income, and in 17 Member States the level of GMI even falls below the 40% extreme poverty line (Peña-Casas *et al.* 2013).

1.2.2 An effective policy?

Over the last twenty years, discussions on social policies targeted at the poorest have focused on the need for 'active' and 'activating' support (Weishaupt 2013, Betzelt and Bothfeld 2011). In this context, the 'Make Work Pay' dogma has come to dominate the drafting of European and national activation policies. This approach has also put pressure on the discussion as to the level of welfare benefits, reducing it to an over-simplistic comparison between the level of benefits and that of low wages. The fear that GMI will act as a deterrent, discouraging recipients from returning to work, is based on an assumed degree of tension between GMI and wages. The GMI must be generous, to relieve poverty, but limited – in any case clearly below the minimum wage or the low levels of pay generally offered on (re)-entry onto the labour market. Graph 1 illustrates this tension. It shows the relation, in net terms, between GMI, minimum wages (where a statutory minimum wage exists) and low wages, in relation to median household income[3]. These are average figures for several types of household.

Figure 1 **GMIs, minimum wages and low wages, as a proportion of equivalent median household income (%) – net values – 2011**



Source: Peña-Casas *et al.* (2013) based on the OECD data on benefits and wages.

Net GMI levels fall, in all cases, beneath the 60% poverty threshold. In many countries they do not even reach the level of the 40% extreme poverty threshold (except in DK, IR, NL, LU, LT and BE). In almost all countries the minimum and low wages fall somewhere between these two poverty lines – cause for concern if employment is seen as a way of preventing or escaping poverty. Only in Ireland, the United Kingdom and the Netherlands are minimum wages clearly above the 60% threshold. In several countries, the net minimum wage is even close to the 40% poverty line (ES, LV, SK and RO), or even beneath that line (EE), as is the case in

3. Net low wages are calculated as equal to the threshold of 50% of the average wage. In the OECD definition, GMI schemes give rights to individuals with no other source of income, and not therefore entitled to unemployment benefits. All relevant cash benefits are taken into account (social assistance, lone-parent benefits, other family benefits and, if appropriate, housing benefits), as well as income tax and social security contributions, where relevant.

Bulgaria for low wages. In these cases, how much of an incentive can minimum wages and low wages below the poverty line be? These low-paid jobs may increase the income of poor people, but, contrary to the rhetoric vaunting the social effectiveness of incentivising activation policies, they are not sufficient in themselves to provide a road out of poverty.

Although so-called 'welfare-to-work' policies can be an effective way of increasing the employment rate of GMI beneficiaries, the most effective policies of this kind tend, in the long run, to be those with high budgets (individual support, human capital development) (Immervoll 2010). Member States, however, tend to make payment of the minimum income conditional on employment assistance and activation measures, thus restricting access to benefits and social services. This trend has led to reductions in welfare payments and employment assistance paid to the unemployed and those not in work, with a view to providing a greater incentive to find a job (Frazer and Marlier 2009). The European Anti-Poverty Network (EAPN) has underlined the negative impact of these policies on those who are out of work (EAPN 2010). According to this NGO, governments use welfare measures to force people to accept employment, in order to increase employment rates and reduce the numbers receiving social security benefits. This trend has been further strengthened by the economic situation, especially in 2013. In a context of weak employment markets, activation policies encourage those on a minimum income to compete with others who are unemployed (Immervoll 2010); in reality, they have more difficulty finding employment than people receiving unemployment benefit (Immervoll and Richardson 2011). The requirement to be actively seeking employment brings with it the issue of the sanctions to be applied if such an obligation is not respected (suspension or reduction of benefit, even exclusion from the benefit scheme). Such sanctions are even more questionable since GMI is the final safety-net in the social welfare system.

One of the negative consequences of this trend is illustrated by the large number of eligible people who do not claim the minimum income. This leaves some of the most vulnerable members of society in a sort of legal no man's land, working in parallel and illegal labour markets, or leaving them to the care of charitable associations.

Sufficient coverage?

Almost all the European countries have GMI schemes and recognise, both in their national constitutions and by means of international conventions, that this protection is a fundamental right of individuals. Nevertheless, in reality many individuals do not benefit from this right. This raises the question, crucial in assessing the effectiveness and fairness of public policies, of the non-take-up of social welfare payments, and particularly those related to the minimum income. Although the level of non-take-up is high, relatively little research has yet been carried out on it, and it often seems not to be a priority for governments (Nelson 2013, Hernanz *et al.* 2004). Non-take-up can be an individual choice, or the result of a situation beyond one's control, caused by the interaction of many factors[4]. Matsaganis *et al.* (2008) have studied the existing literature and conclude that the non-take-up rate for social assistance varies between 40 and 60%, depending on the particular schemes and countries studied. Basing themselves on reports from the European network of anti-poverty experts, Frazer and Marlier give similar figures. They also stress that the risk of non-take-up is particularly high for certain social groups (women, couples, young people, people with a low educational level and migrants), and also in certain inland, more rural areas (Frazer and Marlier 2009). Despite difficulties in measuring this rate and uncertainties relating to the estimates, one conclusion is clear: there is a high level of non-take-up of the minimum income. One out of every two beneficiaries, approximately, does not receive the GMI, although they would be entitled to do so.

In the current context, non-take-up is even more of a political and social challenge, since in most European countries, social and anti-poverty policies are increasingly targeted at particular groups, which implies more conditions placed on the assistance on offer. Such targeting is sometimes justified, in political speeches, as a way of combating social security fraud or 'welfare tourism' (Warin 2012).

4. Warin (2010), defines three main forms of non-take-up : firstly a lack of knowledge (caused by a lack of information as to the existence of a scheme or how to access it - the potential beneficiary does not, therefore, make a claim); the non-request (a person eligible for and informed as to the scheme chooses not to, or is constrained not to, claim benefit); non-receipt (an eligible person makes a claim, but receives nothing or only part of the sum on offer).

2. GMI and the EU: the current situation

In the area of social policy, any direct EU intervention requires a unanimous decision by the EU Council, and must respect the principles of subsidiarity (the Union only acts if the objectives of the action proposed cannot be met by the Member States acting alone, for reasons of scale or because of the across-Europe effects of the action), and of proportionality (the action shall not go beyond what is necessary to meet the objectives of the treaties). According to the treaties, then, the EU can only make suggestions (recommendations) or organise non-binding policy cooperation processes and exchanges of good practice (Open Methods of Coordination, OMC), which should result in convergence between the Member States as set out in the recommendations (Council Recommendation of 1992 on the convergence of objectives) and European strategies (Lisbon, Employment and Growth, and the Europe 2020 Strategy). This legal argument relating to subsidiarity is usually invoked to explain why the European institutions have done relatively little to help combat poverty.

Given the difficulties faced by and the deterioration of national policies, the idea of creating a European minimum income seems to be a new solution, which has even more political justification since the European Union is often accused of being behind this increase in poverty. This idea, then, is part of a drive for European solidarity, and has therefore been brought to European level by representatives of civil society (EAPN 2014 and 2010), trade unions (ETUC 2013) and by a number of European institutions (EESC 2013, European Parliament 2010). For this reason we should take another look, even before we address the issue of a possible future European guaranteed minimum income, at the initiatives already taken by the European institutions in previous decades.

2.1 A lengthy European debate

The establishment of a European minimum income requires a legal structure based on a set of premises, several of which have become reality over the last thirty years. The right to a minimum income allowing an individual to live with dignity is a fundamental human right, recognised as such in various international conventions and European charters to which the EU, and particularly its Member States, have signed up[5]. This right is also recognised, with various nuances, in all the national constitutions of EU countries (Peña-Casas *et al.* 2013). It is, therefore, a historical right strongly rooted in the European legal order. Nevertheless, it was not until the beginning of the 1990s that the issue of a guaranteed minimum income was raised at European level, although this was still in relation to initiatives which would be non-binding on Member States.

The Community Charter of the fundamental social rights of workers, adopted in Strasbourg on 8 December 1989, proclaims the right of workers to an adequate level of social security benefits[6]. Moreover, persons who have been unable to enter or re-enter the labour market and have no means of subsistence must be able to receive sufficient resources and social assistance, in keeping with their particular situation (European Commission 1990). In 1992, the European Commission made a proposal for a directive on minimum income, which was down-graded into the 'Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems' (Council of the European Communities 1992). Adoption of this text was a symbolic attempt to include a social dimension in the emerging single market. The recommendation asks Member States to recognise an individual's fundamental right to sufficient resources and social assistance to live in human dignity. This right is to be implemented by means of national political strategies to combat social exclusion, and requires, if necessary, the reform of social protection systems. With a view to this, the recommendation sets out a number of principles and guidelines. At the time of its adoption, eight of the twelve Member States had already introduced a guaranteed minimum income (the exceptions being Italy, Greece, Portugal and Spain). The 1992 recommendation, therefore, could be seen as principally calling on these latter Member States to set up an income

5. The Member States ratify (or choose not to ratify) a number of (usually not all) ILO conventions. The EU as such cannot ratify these, since until 2009 it was not legally entitled to do so. However, 'The European Union actively participates in discussions and negotiations at the institutional meetings of the ILO in Geneva (International Labour Conference, Governing Body), notably on the adoption of conventions, recommendations, resolutions and other important texts, and in a number of cases also on monitoring the application of the conventions' (http://www.ilo.org/brussels/ilo-and-eu/lang--en/index.htm).

6. The provisions of the Charter were included in the Treaty of Lisbon (Article 151 of the Treaty on the Functioning of the European Union) and in the EU's Charter of Fundamental Rights, which is part of the treaty and is legally binding.

protection system (Cantillon and Van Mechelen 2013). It directly influenced, for example, the adoption of a minimum income scheme in Portugal in 1996.

Almost 15 years then went by with no action in this area, and when the idea seemed to have been forgotten. Then, at the onset of the financial and economic crises in 2007-2009, and following an intensive campaign by European civil society (EAPN) to promote the idea of a European minimum income, the Commission returned to the issue of national minimum income schemes, from the viewpoint of active inclusion (Frazer and Marlier 2010), in its 'Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market'. This strategy for active social inclusion is based on three concepts supposedly of equal importance: adequate income support, inclusive labour markets (social activation) and access to quality (social) services. The recommendation refers explicitly to the criteria set out in the 1992 Council Recommendation, which 'remains a reference instrument for Community policy' (European Commission 2008). The approach based on the guiding principles of active social inclusion then gained gradual acceptance as a key reference point for the social inclusion OMC and the Europe 2020 Strategy. However, true to the principles of subsidiarity and proportionality, it remains within the competence of Member States, by virtue of its principle on the activation of social welfare beneficiaries (Frazer and Marlier 2013).

At the same time, in its Resolution of 6 May 2009 on the Renewed Social Agenda, the European Parliament stressed the need to modernise and reform social security systems, with a view to eradicating poverty in the long term and establishing a scheme for an adequate minimum income. In 2010, the European Year for combating poverty and social exclusion, the European Parliament, in its resolution of 20 October 2010, declared the need for a 'minimum income in combating poverty and promoting an inclusive society in Europe'. The resolution refers to an 'adequate minimum income', set at a level of at least 60% of the median income in each Member State (European Parliament 2010). In 2010, at the request of the Belgian Presidency of the EU, the European Economic and Social Committee sketched a clearer outline of national guaranteed minimum income schemes. The setting up of a minimum income system should be considered, within a context of active social inclusion policies and access to good-quality social services (EESC

2011). In an own-initiative opinion adopted in 2013, the EESC asked for the setting up of a European minimum income scheme, supported by a specific solidarity fund (EESC 2013).

Aside from these calls for action, however, the Commission remained relatively inactive in this area. At the launching in 2010 of the Europe 2020 Strategy and the setting up of the 'European Platform against poverty and social exclusion' (European Commission 2010), no reference at all was made either to a guaranteed minimum income or to any binding legislative initiative relating to social inclusion (Peña-Casas 2012). In 2013, the Commission took the initiative and presented the 'Social Investment Package' (European Commission 2013). Based, once again, on the main principles of active social inclusion, this Communication calls upon Member States to set reference budgets ensuring adequate means of subsistence, taking account of consumption patterns, different situations and types of household. It invites Member States to include progress made in this area in their National Reform Programmes (NRPs).

Civil society organisations have continued to call for a binding legal instrument relating to a European minimum income, as well as action in the area of national schemes (EAPN 2013). In parallel, the Executive Committee of the European Trade Union Confederation (ETUC) adopted a text on 23 April 2013, stating that 'the ETUC supports the introduction of a social minimum income in every Member State on the basis of common European principles' (ETUC 2013).

Our examination of this series of texts, none of which carry much legal weight, should also refer to the treaties and directives. 'Solidarity' is one of the fundamental values of the Union (Art. 2 TEC), and the fight against poverty and social exclusion is listed as one of the main Union objectives (Art. 3 TEC). One new feature of the Lisbon Treaty (2009) is that the EU Charter of Fundamental Rights is granted 'the same legal value' as the treaties, whilst remaining a separate legal text not incorporated into those treaties (Art. 6 (1) TEU). Article 9 TFEU on the 'horizontal social clause' states that 'in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health'. The horizontal social clause, however, does not transfer any new powers to the EU. It can not therefore be used as a legal basis for the establishment of a proactive and complete social policy covering all the areas listed in this article.

Many provisions in the European treaties refer explicitly to EU objectives relating to combating social exclusion (Art. 3 (3) TEU). Nevertheless, the setting of objectives is not in itself sufficient to give the European Union the power to adopt a binding legal instrument obliging Member States to legislate in the area of minimum income, since, even if the legal basis is accepted, the measures adopted must respect the principles of subsidiarity and proportionality. These principles mean that in the area of social protection, Member States remain responsible for the structure and content of their minimum income schemes or their social security systems guaranteeing a minimum income.

The only legal basis for a legally-binding EU initiative can be found in Title X of the Lisbon Treaty, on social policy, and, more particularly, in Article 153 TFEU. This article refers explicitly to the fight against social exclusion as one of the areas in which the Union supports and complements the activities of the Member States with a view to achieving the objectives of Article 151 TFEU, in the form of 'measures designed to encourage cooperation' (Art. 153.1 (j)). Nevertheless, the fight against poverty is not one of the areas in which the Union supports and complements the activities of the Member States by means of directives setting out minimum requirements in the field of social security (Art. 153.2 (b)). As the treaties are currently drafted, the only area in which such requirements may be established is for the particular group of 'persons excluded from the labour market' (Art. 153.1 (h)), which would not include persons unable to work (Peña-Casas *et al.* 2013). Implementation of a binding European legal instrument at national level would nevertheless be a complex task, since national GMI schemes do not generally distinguish between these two groups. A political approach would still be possible, but would require a Commission initiative, as well as the unanimous approval of the European Parliament and the Council of the EU following the usual legislative procedure. It is a question, then, of political will. However, until now, with the exception of the 1992 recommendation on sufficient resources, the speeches and texts of the European Commission and Council have avoided advocating a European minimum income.

3. Developing a European guaranteed minimum income

The first question arising from the creation of a European minimum income would be the form it would take, and how it would compare to current national schemes. It would also require the untangling of a complex set of political issues (Vandenbroucke *et al.* 2013). It would seem impossible to merely transfer national schemes to the European level, given the differences between the countries, and also the institutional barriers already referred to. The general principles guaranteeing sufficient resources for a decent standard of living are stated regularly in the charters and treaties. On the basis of these stated purposes, a European guaranteed minimum income (EGMI) should be constructed around more precise objectives, which would make it possible to develop more effective implementation tools, and to assess the national and European financial resources that would be needed to finance the schemes.

3.1 Objectives

The establishment of a minimum income is always based on doctrinal considerations relating to poverty, and in particular to forms of poverty judged to be abnormal, iniquitous, unbearable and collectively unacceptable social and economic situations (Veit-Wilson 1998). Developing such a system at European level would mean that a certain type of cash provision must be granted to the poorest households, according to a system involving both the European institutions and those of Member States.

3.1.1 Objective 1: Moving towards a European reference minimum income

The EGMI would be a means-tested system of cash benefits, reflecting the desire repeatedly expressed in declarations to ensure sufficient resources to guarantee a decent standard of living and to cover individuals' basic needs.

A minimum income established with respect to the relative poverty thresholds

Relative poverty is measured in Europe by means of two thresholds: the '60%' threshold, and the extreme poverty threshold, set at 40% of the national median income. The choice of the 60% threshold would be justified by its use as the official poverty threshold in Europe, and also because anti-poverty associations are all calling for this to be set as a minimum income objective. It has become a true point of reference – a benchmark. In view of the growth in the number of working poor (Fraser *et al.* 2011), a minimum income based on a threshold set at 60% of the median income would mean that many countries would have to reconsider their minimum wage (Figure 1) and would encourage social partners to reassess all wages, particularly minimum wages. The 60% threshold could be an ultimate goal, one that would gradually be achieved, taking account of the specificities of each country, of the nature of social dialogue between the social partners, and also in the light of other types of minimum provision for those not in work (the elderly or disabled).

The threshold set at 40% of median income is generally considered as a way of measuring extreme poverty. It is a 'floor', often seen as representing a minimum subsistence threshold. For several years now, all charitable associations have noted a rise in forms of extreme poverty, despite the policies developed to fight against social exclusion. Given all the criticism currently levelled against the European Union, particularly the Commission and the Council, the idea of launching a major policy for combating severe poverty, under the aegis of the European Union, would weaken national political objections from those who are keen to maintain their responsibilities in the field of social protection but are finding it increasingly difficult to shoulder these, in the light of the key human rights principles. However, this threshold of 40% of median income is still a relative measurement of poverty, and cannot, then, systematically guarantee a sufficient level of income to ensure that basic needs are met. For this reason, and as a result of the social and economic crises, the relative poverty threshold fell in a third of Member States between 2008 and 2012 (European Commission 2014).

3.1.2 Objective 2: Reducing the gap in each country between national minimum income and the poverty threshold

If it is not possible to establish a true pan-European minimum income, uniform across all the EU Member States, one objective that could have some political success would be to improve the situation in many countries while maintaining a national framework for a minimum income. The top-priority objective for EU policy would be gradually to reduce the gap between the current minimum income and the extreme poverty threshold, as a first stage, and to establish an EGMI equal to the extreme poverty threshold for all countries not achieving this level. The second stage would involve a long-term objective of reaching the 60% threshold. In those countries, for example, where the 40% threshold has already been met (DK, IR, NL, LU, LT and BE), a gradual process would be launched, with a view to achieving a minimum income equal at least to the poverty threshold of 60% of median income. As demanded by the EESC in its 2013 opinion, a European solidarity fund should be set up to support Member States in this process (EESC 2013).

3.1.3 Objective 3: organising the relationship between the EGMI and other national minima

The question that arises is how, in practical terms, the EGMI would fit in with the national minimum, not just in terms of the level of benefit provided, but also with respect to eligibility criteria. Unlike the implementation of a universal benefit system, the setting up of a European minimum income scheme, whatever shape this would take, would require a reform of the multi-level governance of the scheme. The European Union would not have its own administrative body for each country; it could only follow national policies, with the option of asking for changes to be made to the most problematic-seeming discriminatory criteria. The list of features shared by the current national schemes (cf. Section 1.1.1) should be re-examined, with a view to identifying the source of any hold-ups and malfunctions.

In this still-national context, only claimants from the country itself – i.e. nationals and legal residents – would receive the EGMI, subject to resource criteria amended by the European agreement. The EGMI would be administered by local services or offices, which would probably need to be reformed to improve monitoring (take-up) and help the scheme to better meet social needs. Such a system, unlike the pilot projects set up by the European Commission to combat poverty in the 70s and until 1994 (Room 2014), would largely respect the principle of subsidiarity, including the need for an activation policy, which is one of the supporting principles of the 2008 recommendation. A European minimum income solidarity fund would help Member States to narrow the gap with the 60% poverty threshold.

To encourage countries to finance such a European solidarity fund, recourse to the fund could be made subject to political and financial commitments from the applicant Member States, as well as a timetable for reaching the level of the poverty threshold, together with interim goals. For Member States already close to the 60% threshold, the fund could alternatively be used to fund an improvement in social services or take-up of the schemes, once the GMI had reached the poverty threshold. In this way, the fund would help to adjust income levels and improve the quality of services, two of the pillars of active social inclusion emphasised in the 2008 recommendation. The social activation pillar would still be dealt with by the European Social Fund.

3.1.4 Objective 4: reduce non-take-up

The existing non-binding instruments could be used to encourage Member States to make progress in this area, on the basis of exchange and discussion of good practice. The issue of low take-up could, for example, be explicitly included as one of the common poverty reduction objectives, which are still relevant to the 'social inclusion' OMC. The new financial programme for employment and social innovation (EaSI), with a budget of almost 920 million euros for the period 2014-2020, can be used to finance activities involving transnational cooperation, research, experimentation or social innovation to improve social policy schemes. This source of funding could therefore be used to gain a better understanding of and to try and reduce non-take-up, which is both an injustice and the denial of a fundamental right. A reduction in non-take-up should also be included as a cross-cutting objective for the whole of the social OMC (social protection, social inclusion and health), particularly since, with respect to minimum income policy, it is a good topic for social experimentation.

3.2 Financial outlay

One potential objection to the creation of an EGMI and a European minimum income fund could be the cost of such an initiative, particularly at a time when public expenditure is being cut. For this reason, we should at this stage give an idea of the figures involved. In 2010, expenditure on national GMI schemes was about 27.8 million euros for the whole of the European Union[7], i.e. 0.23% of European

7. Neither Italy nor Greece have GMI schemes. Croatia is not yet covered by MISSOC data.

GDP, 0.8% of total social welfare expenditure, and representing a figure of 48.3 euros per inhabitant (Peña-Casas 2013).

A first group of countries is characterised by high percentages of expenditure going to GMI schemes, varying between 2.4% of total expenditure in the Slovak Republic to 4.9% in Cyprus. This group also includes Lithuania (2.9%) and the Netherlands (4.2%). In a second group of countries, (BE, SI, LU, IE, RO, FR, DK, PT, FI and SE), GMI makes up 1 to 2% of total social protection expenditure. In the remaining EU countries, GMI represents less than 1% of total social protection expenditure. Overall, the total costs of GMIs are very low in comparison with the full social protection budget. This means that the extra costs of upgrading them as part of a European GMI system should not require a huge financial contribution from Member States, which could generate sufficient political opposition to block the initiative.

In order to estimate the costs and financial contributions required to increase current GMI levels to that of the poverty thresholds, we will use here four of the nine scenarios examined in the report by Peña-Casas *et al.* (2013). These scenarios take account both of the necessary increase in GMI and of hypothetical improvements in take-up. The financial contribution required for various redistribution hypotheses is calculated as a percentage of total wealth (GDP), but also in terms of gross disposable household income[8].

For a type of assistance which is, by definition, residual, the scenarios most likely to be acceptable to most Member States, if not all, would probably be those involving a guaranteed minimum income at least equal to the extreme poverty threshold (40%), reflecting the human rights declarations likely to be called upon in the political debate and used as arguments in any disagreements. The purpose of this idea would also be to require Member States to implement a minimal level of inter-State solidarity (cf. Article 2 of the EU treaties). Scenario (A) is based on the extreme poverty threshold (40%) but with no change in the efficiency of implementation of the measure, i.e. with an average non-take-up rate of 50%. For the EU as a whole, the budgetary resources

8. For a detailed description of the methodology used and the other scenarios, see the report by Peña-Casas *et al.* (2013).

needed to bring current GMI levels up to at least that of the extreme poverty threshold would be around 17.2 billion euros per year. This sum could easily be absorbed through public funding or tax revenue. This scenario, with its high non-take-up rate, is both unfair, since a high proportion of those entitled to the benefits would not receive them, and inefficient in terms of management of the policy.

Table 2 **Amounts needed to implement an EGMI – EU25, 2011**

	Additional amount required (M euros)	Current cost (M euros)	Total cost (M euros)	Additional cost		Total cost	
				% gross disposable income	% gross domestic product	% gross disposable income	% gross domestic product
(A): 40% threshold - 50% take-up	17,214.45	30,722.63	47,937.08	0.31%	0.19%	0.85%	0.49%
(B): 40% threshold - 100% take-up	57,257.3	61,445.3	118,702.6	1.16%	0.63%	2.23%	1.23%
(C): 60% threshold - 50% take-up	55,965.2	30,722.6	86,687.8	0.91%	0.56%	1.45%	0.85%
(D): 60% threshold - 100% take-up	114,175.9	61,445.3	175,621.2	1.90%	1.15%	2.98%	1.75%

Source: Peña-Casas *et al.* (2013).

Another aim of a European minimum income should be to encourage the Member States to improve access to this minimum income. A system providing maximum levels of information, support and advice would ideally have a take-up rate approaching 100%. Simulations carried out using scenario (B) show that such a system would cost more than 57.2 billion euros per year for the whole of the EU, to cover the costs of increasing the average GMI to the extreme poverty threshold for all those who would be eligible.

Although the 40% threshold is considered as a floor, the main objective is still to establish multi-level concerted policies, aiming to set GMI at a level reflecting the 60% threshold. Scenario (C), which combines this threshold with the current take-up rate, would require a greater level of investment, of around 56 billion euros. A situation of maximum take-up would cost 114 billion euros per year. The costs to each Member State could differ, so European solidarity would have to come into play[9].

Generally speaking, the EU would not be directly involved in the national or local management of the minimum income. Its role would be to ensure the gradual harmonisation of several criteria. Some of these criteria would be absolute: age, conditions of residence, composition of the family or scale of equivalence. Other criteria would be relative, particularly the minimum income threshold used as an eligibility criterion for a differential allowance and the setting up of a policy to encourage greater take-up of the scheme, even though, for the moment, the estimates are still uncertain. Support for Member States would be provided through a European minimum income solidarity fund.

3.3 A European minimum income solidarity fund

The development of the European Union has been marked by much legal, economic and sociological research into the thinking up, design and development of a European social policy expressing the collective will of the Union. The proposal for a European minimum income fund (EMIF) follows on from previous proposals such as the proposal for an Active solidarity fund (Pochet *et al.* 1998) relating to unemployment, or even the idea of a 'European social snake' (Dispersyn *et al.* 1992).

Unlike in previous proposals, the EMIF would have not only a cyclical function, to cushion asymmetric shocks between countries, but first and foremost a social justice role vis-à-vis the people of Europe. It would be

9. Increasing national GMIs to the 60% poverty level would require a financial input of below 1% of GDP in most European countries, but a small group of countries (PL, EE, SK and CY) would be required to contribute more than this - somewhere between 1 and 2% of GDP (PL, EE, SK, CY) (Peña-Casas *et al.* 2013).

a weapon in the fight against extreme poverty, providing help to countries unable to guarantee all citizens an income level equivalent to 40% of the median national income, while aiming to provide, ultimately, income equivalent to 60%. This support would be guaranteed as long as necessary, depending on the rate of progress made by Member States to bridge these gaps.

The fund could be either fully funded from the EU budget, or by contributions from Member States. One possible intermediate solution would be for the fund to be cofinanced by the Union and the Member States, to an extent dependent on national wealth, somewhat similarly to the Social Investment Pack idea of a European unemployment insurance fund (cf. the chapter by Fichtner).

Another possibility would be to use an alternative budget made up of new resources. A tax on financial transactions, for example, could be used to finance a solidarity fund. The process underway, involving 11 European countries, to establish such a tax was dealt a relative blow by the negative opinion of the Council legal service, but the Member States involved, as well as the Commission, wish to pursue this initiative. It is difficult to estimate how much such a tax would yield, and its potential contribution to European and national budgets, but some could be transferred by the Member States and the European institutions.

Another possibility would be to call upon existing but not fully used budgets, particularly those falling under the Structural Funds, which themselves are solidarity schemes. Over the budgetary programming period 2007-2013, for example, more than 30.3 billion euros were not taken up by Member States. Although this amount fluctuates, it could be used to provide resources to a European solidarity fund.

Currently, the obstacles to such an initiative currently give the impression of an impenetrable wall. Although, as the treaties currently stand, the EU cannot impose such a fund on Member States, nothing would prevent the European Council deciding to set up this fund by means of an intergovernmental process. The fund could cover the whole of the EU, which would require a unanimous vote, but possibly also a decision taken by a qualified majority. It is, above all, a question of whether sufficient political will exists, as is shown by the example of the

European Financial Stability Fund used to rescue banks in the eurozone. The Youth Guarantee is another good example of the sort of process that combines reforms to national systems with European support from structural funds (ESF) and specific funds (Youth Employment Initiative) (European Commission 2013).

Conclusions

The year 2013, similarly to the two previous years, has suffered from cyclical developments, caught between the economic slowdown and the cuts in social expenditure in many countries, thus provoking, quasi-automatically, further pressure on national anti-poverty and social exclusion policies. This trend has made it difficult, or nearly impossible, for States to use their general social protection regime to improve the living conditions of the poorest sections of society. These circumstances largely explain the growing swell of public opinion calling for the establishment of a European guaranteed minimum income.

Over time, moreover, the EU has produced many official texts on the fight against poverty, referring to the meeting of basic needs, and above all referring to the principle of human dignity. The horizontal social clause in the Treaty of Lisbon (2009) is one of the most recent examples of this. Until now, these texts have not been sufficient to bring into being a EGMI, as a result, in particular, of the principles of subsidiarity and proportionality, as well as the unanimous voting rule in the EU Council, all of which have prevented, *de facto,* any progress in this area.

Nevertheless, the change of context described in this chapter has resulted in considerable changes not just to the rules, but also to the reasons for their application. The principles of subsidiarity and proportionality, in particular, would not apply so strongly if the creation of a European minimum income was no longer replacing social protection systems that have developed over time, reflecting the scale and values of each individual nation. It is because national systems are currently failing to effectively combat poverty, partially as a result of the rules imposed by the EU concerning macroeconomic imbalances, that the EU must now take action. To put it another way, action by the EU has become necessary, in the name of the principle of subsidiarity itself. As for the unanimous Council vote required for any reform in the area of social protection, it is well known that this rule is ineffective in decision-making processes relating to income redistribution.

We should remember that quite apart from issues of social justice, poverty also damages the economy, representing as it does a waste of human resources and engendering expenditure on social protection and welfare. A European solidarity fund would therefore be a form of long-term investment – a social investment, the need for which is becoming increasingly acute.

Such a fund, moreover, would continue the line of funds already set up in the history of the Union, and, in broader terms, it would be part of the global broadening of anti-poverty strategies, developing a common floor of minimum social protection (ILO 2012).

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