



*European Economic and Social Committee*

**SOC/482**  
**European minimum income**  
**and poverty indicators**

Brussels, 10 December 2013

**OPINION**

of the  
European Economic and Social Committee  
on  
**European minimum income and poverty indicators**  
(own-initiative opinion)

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Rapporteur: **Mr Dassis**  
Co-rapporteur: **Mr Boland**

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On 14 February 2013, the European Economic and Social Committee, acting under Article 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*European minimum income and poverty indicators*  
(own-initiative opinion).

The Section for Employment, Social Affairs and Citizenship, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 20 November 2013.

At its 494th plenary session, held on 10 and 11 December 2013 (meeting of 10 December), the European Economic and Social Committee adopted the following opinion by 155 votes to 93 with 12 abstentions.

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## 1. **Conclusions and recommendations**

1.1 The negative social and economic impact of the crisis and a lack of structural reforms which is fuelling poverty and exclusion in Europe against the backdrop of an ageing population, increased migration flows and growing Euroscepticism, means that the need for a political paradigm that can reinforce solidarity and the fundamental values of Europe's acquired social rights is now a matter of extreme urgency.

In this context, the EESC:

1.2 considers that, at such a critical juncture, 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;

1.3 points out that there was an important discussion at the level of the EESC's bodies and stresses the urgent need to guarantee an adequate minimum income in the European Union under a framework directive, with the aim of effectively combating poverty by facilitating labour market inclusion, as called for by the Committee of the Regions<sup>1</sup> and a range of anti-

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<sup>1</sup> Opinion of the Committee of the Regions on *The European Platform against Poverty and Social Exclusion*, [OJ C 166, 7.6.2011, p. 18](#). See p. 19, point 7.

poverty organisations<sup>2</sup>, and calls on the Commission to undertake concerted action in response to the resolution adopted by the European Parliament in 2011<sup>3</sup>;

- 1.4 calls on the Commission to examine funding possibilities for a European minimum income focusing in particular on the prospect of setting up an appropriate European Fund;
- 1.5 calls for further measures to be taken to ensure that the objectives of the Europe 2020 strategy concerning employment, poverty and social exclusion are actually achieved. Such measures should include (1) continuing to pursue horizontal employment targets, (2) setting targets for percentage reductions in the three indicators that make up the composite poverty and social exclusion indicator, (3) setting European and national level sub-targets for groups presenting a higher risk of poverty than the population as a whole, such as children and single-parent families, and for the working poor, (4) a review of how Member States calculate poverty levels and set their national targets, and (5) ensuring that the Member States renew their commitment to make sure that the combined efforts of each of them enable the overall European Union objective to be achieved;
- 1.6 calls for an effective assessment of the social impact of the measures contained in the National Reform Programmes (NRPs) and National Social Reports (NSRs), as well as of the financial consolidation packages, in order to prevent them from worsening poverty or social exclusion and to secure greater civil society participation in drawing up NRPs and NSRs;
- 1.7 calls for closer monitoring of worsening poverty and social exclusion and calls on the Commission to put forward specific social inclusion recommendations for each country whenever needed, as part of its assessment of national reform programmes and national social reports. Such recommendations should also be made for countries covered by special assistance programmes from the European Commission, the European Central Bank or the International Monetary Fund;
- 1.8 stresses that to have a decent job is the best guarantee against poverty and social exclusion and urges the Commission in cooperation with the Member States to implement measures of the Growth and Jobs Pact to boost growth, competitiveness and job creation; welcomes the intention of Commissioner Tajani to set-up an industrial compact to strengthen industry in the EU and its potential to create jobs;
- 1.9 particularly stresses the importance of increasing participation in lifelong learning by workers, the unemployed and all vulnerable social groups and improving the level of professional qualifications and acquisition of new skills, which may lead to faster integration in the labour market, increase productivity and help people to find a better job.

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<sup>2</sup> ATD Fourth World, the European Anti-Poverty Network (EAPN), the European Federation of National Organisations working with the Homeless (FEANTSA), the European section of Emmaus, etc.

<sup>3</sup> Resolution of the European Parliament of 15 November 2011 on the European Platform against poverty and social exclusion (2011/2052/INI) [OJ C 153E, 31.5.2013, pp. 57-78](#).

## 2. Background

- 2.1 The Guaranteed Minimum Income (GMI) is income support that is not linked to payment of contributions and that provides a safety net for those not eligible for social security benefits<sup>4</sup>. As the last defence against poverty, it is inextricably linked to the right to a decent life for people who have no other means of ensuring an income and for their dependants<sup>5</sup>. The concept of "guaranteed minimum income" is not to be confused with that of a "minimum wage", fixed by collective agreement or by legislation.
- 2.2 Article 10(2) of the Community Charter of the Fundamental Social Rights of Workers (1989)<sup>6</sup> establishes the right to "sufficient resources and social assistance" for people outside the labour market without adequate means of subsistence.
- 2.3 The Charter of Fundamental Rights of the EU (2000), legally binding as part of the new Reform Treaty stipulates that "human dignity is inviolable. It must be protected and respected" (Article 1) and that "to combat social exclusion and poverty the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources" (Article 34(3)).
- 2.4 The Treaty on the Functioning of the European Union (Article 53(1)(h) allows the Union to adopt legislation to support and complement the activities of the Member States in the field of integration of persons excluded from the labour market. Among the requirements that the Union must take into account in defining and implementing its policies and actions, its horizontal social clause (Article 9) mentions in particular high employment levels, adequate social protection and combating social exclusion.
- 2.5 Council Recommendation 92/441/EEC<sup>7</sup> invites Member States to "recognise the basic right of a person to sufficient resources and social assistance" that is also reliable, to "adapt their social protection systems" and to set common criteria of implementation without, however, specifying a minimum threshold at EU level.

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<sup>4</sup> Other policies in this category are: a) a universal basic income or basic income guarantee, a permanent, single flat-rate benefit paid at set intervals adult citizens regardless of their economic/social situation or availability for work, and b) a negative income tax, based on the concept of a marginal tax rate.

<sup>5</sup> Hugh Frazer and Eric Marlier, *Minimum Income Schemes Across EU Member States. Synthesis Report*, EU Network of National Independent Experts on Social Inclusion, European Commission, DG Employment, Social Affairs and Equal Opportunities, October 2009.

<sup>6</sup> Commission of the European Communities, *Charter of the Fundamental Social Rights of Workers*, Luxembourg: Office of Official Publications of the European Communities, 1990.

<sup>7</sup> Council Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems, [OJ L 245, 26.8.1992, pp. 46-48](#).

- 2.6 The 2008 Commission Recommendation<sup>8</sup> recognises adequate income support as one of the three pillars of active inclusion emphasising that beneficiaries should be available for employment, training or other social inclusion measures.
- 2.7 Combating poverty and social exclusion is a headline target of the Europe 2020 strategy that established the European Platform against Poverty and Social Exclusion<sup>9</sup>. It sets for the first time a target of reducing poverty and social exclusion by at least 20 million people by 2020 based on a combination of three indicators: risk of poverty (defined as the percentage of people below 60% of national median income), severe material deprivation (a lack of resources based on a specified list of items), and very low work intensity (the fact of living in a jobless household)<sup>10</sup>. The EESC welcomed this commitment and emphasised that EU policies should not increase the risk of poverty<sup>11</sup>.
- 2.8 The main objective set by the Europe 2020 strategy with regard to reducing poverty and social exclusion hinges on a reduction target for a specified number of people, thereby differing from the approach taken to the strategy's other headline targets<sup>12</sup>: these are set in percentage terms, making it easier for the Member States to reach the same percentage targets.
- 2.9 It is up to Member States to decide how to define their national targets and what approaches should be adopted to achieve them. However, all the national targets combined fall well short of the Europe 2020 target of 20 million people: a gap of between 5 and 8 million is reckoned to exist between the Europe 2020 strategy headline target and the sum of the national targets<sup>13</sup>. Furthermore, many NRPs lack clarity on how the poverty target will be achieved and lack adequate social inclusion measures<sup>14</sup>. Countries receiving special assistance from the European Commission, the European Central Bank or the International Monetary Fund are not required to submit specific NRPs<sup>15</sup>: they are answerable only under the terms of each memorandum of understanding - these, however, contain no poverty or social exclusion reduction measures.

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<sup>8</sup> Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market (notified under document number C(2008) 5737), [OJ L 307, 18.11.2008, pp. 11–14](#).

<sup>9</sup> *Europe 2020 – A strategy for smart, sustainable and inclusive growth* - [COM\(2010\) 2020 final](#), Brussels, 3.3.2010.

<sup>10</sup> Combined, these three indicators identify an overall target group "at risk of poverty or exclusion" meaning that meeting any of the criteria will suffice – a person is counted if they come within any of the three indicators and is only counted once.

<sup>11</sup> Opinion of the European Economic and Social Committee on the *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Platform against Poverty and Social Exclusion – A European framework for social and territorial cohesion* COM(2010) 758 final, [OJ C 248, 25.8.2011, pp. 130–134](#).

<sup>12</sup> In the areas of employment, education, climate change and R+D targets are set as percentages, enabling Member States to set comparable national percentage targets.

<sup>13</sup> European Commission, *Employment and Social Developments in Europe*, 2012.

<sup>14</sup> Hugh Frazer and Eric Marlier, 2011. *Assessment of progress towards the Europe 2020 social inclusion objectives: Main findings and suggestions on the way forward*, EU Network of Independent Experts on Social Inclusion, Brussels, European Commission.

<sup>15</sup> European Commission, *Guidance for the National Reform Programmes*, 18 January 2012.

2.10 The European Parliament's 2010 resolution<sup>16</sup> invites Member States to introduce minimum income schemes equivalent to 60% of national median income and asks for stronger EU recommendations, while the 2011 resolution<sup>17</sup>, urges the Commission to launch a consultation on the possibility of a legislative initiative for a sensible minimum income.

### 3. **Poverty, social exclusion and unemployment in the EU**

3.1 The EESC recognises that poverty constitutes a human rights violation, making further efforts to achieve the aims set out in Article 3(3) of the Treaty on European Union all the more necessary, and considers overcoming poverty as a Europe-wide challenge.

3.2 The crisis and the lack of structural reforms have increased the risks of poverty and social and labour market exclusion in many countries<sup>18</sup> since 2008. The most recent Eurostat figures<sup>19</sup> confirm that 24.2% of the European Union population – 119.7 million people – are at risk of poverty or social exclusion<sup>20</sup>. The rate rose in 19 Member States in 2011 and, between 2008 and 2011, the number of people experiencing poverty or social exclusion rose by 4 million. The three indicators that constitute "risk of poverty or social exclusion" have also worsened since 2008, standing at 17% for risk of poverty, 9% for severe material deprivation, and 10% for people in households with very low work intensity. In many countries the poor are getting poorer<sup>21</sup>.

3.3 Children (under 18) are among the groups more at risk of poverty or social exclusion than the overall population, with a rate of 27.1%<sup>22</sup>. The risk of poverty rate is, meanwhile, relatively high for people over 65 in some countries<sup>23</sup>.

3.4 Income disparities and social inequalities are growing within each Member State and between countries and regions, and have worsened seriously with the crisis<sup>24</sup>. What is more,

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16 Resolution of the European Parliament of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe. 2010/2039(INI), [OJ C 70E, 8.3.2012, pp. 8–18](#).

17 See footnote 3.

18 Commission staff working document, *Evidence on Demographic and Social Trends. Social Policies' Contribution to Inclusion, Employment and the Economy*, SWD(2013) 38 final, part 1.

19 Eurostat, 2013. [Headline Indicators](#) t2020\_50, t2020\_51, t2020\_52, t2020\_53, updated 3 October 2013.

20 The highest rates are seen in Bulgaria (49%), Romania and Latvia (both at 40%), Lithuania (33%), Greece and Hungary (both at 31%) and Italy (28.2%).

21 European Commission, *Social Europe: Current Challenges and the Way Forward, Annual Report of the Social Protection Committee* (2012).

22 See footnote 18.

23 Ibid.

24 European Trade Union Confederation (ETUC) and European Trade Union Institute (ETUI), *Benchmarking Working Europe 2013*, 2013.

population groups who were already disadvantaged before the crisis are becoming even more so<sup>25</sup>.

- 3.5 The crisis is revealing new forms of poverty such as homelessness, fuel poverty, financial exclusion (lack of access to basic banking services and credit) and household over-indebtedness, while exposure to social risks is higher for women than men. At the same time, the most vulnerable groups, such as elderly people (particularly the very elderly, and elderly women), disabled people, the long-term seriously ill, single-parent families, low-income families, as well as migrants, and certain national minorities such as the Roma, are disproportionately affected by multiple forms of deprivation.
- 3.6 Employment and the social situation in the European Union are at critical levels. Unemployment continues to rise unabated, affecting, in January 2013, 26.2 million people or 10.8% of the active population (19 million or 11.9% in the euro area), while the financial situation of households is alarming<sup>26</sup>. Youth unemployment is at record levels throughout the European Union: 23.6% of young people of working age are unemployed and are tending to remain so for increasingly lengthy periods.
- 3.7 The EESC is gravely concerned by the growing number of working poor stemming, inter alia, from the spread of precarious jobs and low wages. In 2011, 8.9% of those in employment were living under the poverty line and they accounted for one third of all adults of working age at risk of poverty<sup>27</sup>.

#### 4. **General comments**

- 4.1 The EESC has issued a number of opinions<sup>28</sup> on issues that directly or indirectly concern minimum income and poverty, making appropriate recommendations. The comments and recommendations it made in 1989<sup>29</sup> are even more urgent today, under the harmful effect of the crisis. In particular, it supports the European Platform against Poverty and Social Exclusion, considering that the open method of coordination (OMC) together with the horizontal social clause can contribute to the drive for a minimum income and to combat poverty and social exclusion.

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25 Eurofound, *Quality of Life in Europe: Impacts of the Crisis, 3rd European Quality of Life Survey*, Luxembourg, 2012.

26 European Commission, *EU Employment and Social Situation Quarterly Review* – March 2013.

27 See footnote 21.

28 See [OJ C 44, 11.2.2011, pp. 23-27](#); [OJ C 166, 7.6.2011, pp. 18-22](#); [OJ C 24, 28.1.2012, pp. 35-39](#); [OJ C 318, 23.12.2009, pp. 52-56](#); [OJ C 48, 15.2.2011, pp. 57-64](#); [OJ C 44, 11.2.2011, pp. 90-98](#); [OJ C 44, 11.2.2011, pp. 34-39](#); [OJ C 318, 29.10.2011, pp. 43-49](#); [OJ C 132, 3.5.2011, pp. 26-38](#); [OJ C 128, 18.5.2010, pp. 10-17](#).

29 [OJ C 221, 28.8.1989, pp. 10-15](#).

- 4.2 The urgent need for a minimum income scheme was underlined at the public hearing<sup>30</sup> held by the EESC when preparing its opinion and which brought together experts and activists to discuss how to measure poverty more effectively and to review the challenges to be overcome in order to adopt a European minimum income scheme.
- 4.3 The multidimensional nature of poverty<sup>31</sup> and social exclusion requires a reinforced social dimension in European governance: socially sustainable macroeconomic policies are a precondition for exiting the crisis and for securing social cohesion. Persistent poverty and exclusion are detrimental to the economy as they deplete disposable income and demand, undermine competitiveness and constrain national budgets.
- 4.4 In this regard, the EESC is convinced of the need to re-evaluate priorities and policies, in particular monetary policies, including the Stability and Growth Pact, competition and external trade policies as well as financial and fiscal policies.
- 4.5 The EESC welcomes the updated Social Investment Package of 20 February 2013<sup>32</sup> that calls on the Member States to design efficient and adequate income support considering local, regional and national social needs to establish reference budgets containing a list of goods and services that a family of a specific size and composition needs in order to be able to live at a designated level of well-being, along with the estimated associated monthly or annual costs.
- 4.6 The EESC strongly urges the Commission to act faster into putting into practice the promise it made<sup>33</sup> to support Member States by monitoring reforms towards active inclusion, developing a methodology for reference budgets and monitoring the adequacy of income support, using these budgets once they are developed together with the Member States.
- 4.7 The EESC is strongly convinced that the best way to reduce poverty and avoid social exclusion is to re-start growth, to boost competitiveness and to create favourable framework conditions for European companies (including e.g. avoiding excessive administrative burdens, as well as ensuring access to finance), in order to allow them to expand and to create jobs for people with the adequate skills.
- 4.8 The Committee highlights the need to attach particular importance to lifelong learning programmes as a basic tool for combating poverty and social exclusion, boosting

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30 28 May 2013, <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-european-minimum-income>.

31 The indicator for risk of poverty or social exclusion comprises three elements: risk of poverty, severe material deprivation, and very low work intensity.

32 Communication from the Commission *Towards Social Investment for Growth and Cohesion - including implementing the European Social Fund 2014-2020*, COM(2013) 83 final. The Social Investment Package also contains a recommendation on *Investing in children: breaking the cycle of disadvantage* (C (2013) 778 final), working documents on *Long-term care in ageing societies - Challenges and policy options*, *Investing in Health*, *Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market*, and the *3rd Biennial Report on Social Services of General Interest*.

33 Communication COM(2013) 83 final, point 2.2.

employability and access to knowledge and the labour market. It is important to increase the participation in lifelong learning by workers, the unemployed and all vulnerable social groups and improve the level of professional qualifications and acquisition of new skills, which may lead to faster integration in the labour market, increase productivity and help people to find a better job.

- 4.9 The EESC supports a comprehensive approach to social entrepreneurship, with increased funding for the Social Entrepreneurship Fund and an improved legal and administrative environment to foster social economy enterprises that can combat poverty, as drivers of growth, innovation and employment.
- 4.10 The EESC welcomes the recent recommendation on child poverty<sup>34</sup>, but regrets that the ongoing exposure of so many children to the risk of poverty passed on between generations reveals shortcomings in existing policies.
- 4.11 The EESC is concerned to see that the poverty and social exclusion target set by the Europe 2020 strategy (20 million fewer people in poverty in the European Union in 2020) will not be met.
- 4.12 The EESC has already noted that levels of civil society involvement in preparing NRPs differ significantly between Member States with little provision made in some to include them<sup>35</sup>.
- 4.13 The lack of up-to-date figures on income and living conditions is an obstacle to the implementation of the Europe 2020 strategy.

## 5. **The role of minimum income in combating poverty and in social inclusion**

- 5.1 The EESC is aware that framing a specific central role for the EU in minimum income protection would be an exceptionally complex policy operation, given the economic differentiation between the Member States, diversity of minimum income schemes<sup>36</sup> and social protection structures, subsidiarity, the mesh of rights and obligations linked to minimum income protection, the complex interplay between, on the one hand, existing policies and their results and, on the other, the concept of "solidarity" in the Union.
- 5.2 The EESC, nonetheless, sees the need for introducing and strengthening minimum income schemes, as 22 years after Recommendation 92/441/EEC, all Member States do not yet have them, accessibility and adequacy are not guaranteed everywhere, and the cumulative

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<sup>34</sup> Commission Recommendation of 20 February 2013 on *Investing in children: breaking the cycle of disadvantage*, [OJ L 59, 2.3.2013, pp. 5–16](#).

<sup>35</sup> EESC: [Civil Society Involvement in the National Reform Programmes](#), Summary Report. Brussels, 28 February 2011.

<sup>36</sup> For an all-round view, see Frazer and Marlier, *op. cit.*, 2009.

objectives of the Member States to reduce poverty and social exclusion fall well short of the Europe 2020 target<sup>37</sup>.

- 5.3 Considering the dynamics between poverty and the economy, the EESC underlines the stabilising potential of minimum income schemes that can both mitigate the social impact of the crisis and have a counter-cyclical impact by providing further resources to boost demand in the internal market.
- 5.4 The EESC fears that minimum income schemes, which vary widely in most Member States in terms of coverage, comprehensiveness and effectiveness, fall short of alleviating poverty and is concerned that non-take-up of such schemes tests their effectiveness still further<sup>38</sup>.
- 5.5 The EESC welcomes the some positive results of the social OMC, but regrets that the existing instruments and structures have not been fully explored and that progress in the fight against poverty and social exclusion was limited.
- 5.6 To complement the social OMC, the EESC supports the introduction of a European directive that would extend minimum income schemes to all Member States, improve the adequacy of existing schemes, taking into account different national contexts, and thus send a strong message regarding the EU social pillar.
- 5.7 The proposed directive should set common standards and indicators, provide methods to monitor its implementation and allow for the involvement of social partners, beneficiaries and other stakeholders when establishing or revising national minimum income schemes.
- 5.8 The EESC takes the view that as a prerequisite for reinforcing solidarity and social cohesion **within and among Member States**, budgetary and macro-economic policies should also serve the social investment goals of Europe 2020 in implementing existing strategies and using existing instruments and structures.
- 5.9 The EESC believes that the European Union's efforts to upgrade minimum income protection must consist of helping Member States, particularly those in acute need, to open up markets and implement efficient macro-economic policies, as well as using the available funds in a more efficient and targeted way and examining without delay the possibilities of extending the required funds.
- 5.10 The EESC would point out that, while minimum income schemes are directly linked to social protection and assistance systems, they should not generate dependency, and it would reiterate the conditions it set as early as 1989<sup>39</sup>. To this end, minimum income schemes

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<sup>37</sup> Social Protection Committee, op. cit.

<sup>38</sup> [SWD\(2013\) 39 final](#).

<sup>39</sup> See opinion cited in footnote 29.

should be flanked by general policies and targeted measures such as active labour market policies (ALMPs) to help the unemployed back to work, employment services, and benefits and programme management that is geared to the employment market, including training and job-creation backed by appropriate implementation strategies, to ensure that jobseekers have a greater chance of finding work. Effective labour market institutions, health care, housing policies and affordable, accessible public services of high quality are also essential.

Brussels, 10 December 2013

The President  
of the  
European Economic and Social Committee

Henri Malosse

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