



## **Summary "Structured Dialogue on Minimum Income Implementation"**

### **Athens, 2-3 July 2019**

#### **Introduction**

A structured dialogue among experts from national authorities dealing with minimum income schemes took place in Athens on the 2<sup>nd</sup> and 3<sup>rd</sup> of July 2019.

The meeting was hosted by the European Commission in collaboration with the Greek Ministry of Labour, Social Insurance and Social Solidarity and brought together government representatives from 24 Member States.

The event provided the opportunity to discuss and exchange experiences linked to minimum income schemes, with the aim to contribute to the implementation of Principle 14 of the European Pillar of Social Rights (EPSR). The structured dialogue focused on specific aspects of the design of policy frameworks for minimum income schemes and their implementation, in particular:

- governance mechanisms,
- outreach to potential beneficiaries,
- practices for setting the level of benefits and their impact on coverage.

Following an introduction of the EU policy context by the European Commission, a keynote presentation by a thematic expert (University of Antwerp) provided an overview of minimum income schemes settings across Europe. The presentation pointed out that minimum income schemes need to be seen in the context of overall social protection and social inclusion measures, due to the interaction with other benefits, as well as with minimum wage. Indexation of benefits in relation to minimum wages and work incentives are important instruments in terms of effectiveness.

The perspective of civil society organisations was then reflected upon by the presentation of the actions and outcomes of the European Minimum Income Network (EMIN) led by the European Anti-Poverty Network (EAPN). In addition, the Greek authorities presented their recently introduced national minimum income scheme.

#### **Key findings from the Structured Dialogue**

##### **1. Challenges posed by the social context**

Most Member States are experiencing a positive economic outlook, characterised by economic growth, low and/or declining unemployment and high and/or rising employment rates. Overall the risk of poverty and exclusion is falling, while monetary poverty is not improving as quickly as the other AROPE sub-components. At risk of poverty rates remain high for some groups: persons from households with very low work intensity, long-term unemployed, migrants, and children. Furthermore, the persistence of relatively large income inequalities, often linked to unequal opportunities raises concerns in terms of fairness, social inclusion and sustainable

growth. How to tackle these particular aspects of poverty in a positive economic environment remains a common challenge in the EU.

Due to technological developments, the European socio-economic context is also characterised by a growing number of self-employed, and of non-standard workers (e.g. platform workers), and by more frequent labour market transitions. These developments also account for the increasing number of precarious jobs leading to growing risks of in-work poverty. Such significant changes in the labour market should be reflected in the design of social protection and social inclusion systems to ensure adequate coverage and protection of people engaged in these new forms of work.

## **2. Towards an integrated inter-sectoral policy response**

One of the answers to the mentioned challenges is to ensure that minimum income schemes are an integral part - as basic safety nets - of the broader social protection and social inclusion system. It is vital to reinforce the integrated three-pillar approach outlined in the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market<sup>1</sup>: adequate income support, inclusive labour markets and access to quality services.

The discussions during the structured dialogue highlighted the need to consider minimum income as a part of a comprehensive policy design, seen in relation to the broader policy context and in interaction with other benefits and the tax system.

This approach allows addressing poverty and social exclusion from a broader perspective. The objective is not only the inclusion of vulnerable people in the labour market as the main way to exit poverty, but supporting social mobility and enabling people to move up the social ladder. Activation and empowering people are key.

Minimum income recipients face multiple problems in parallel. This perspective underlines the need to foster the access of minimum income beneficiaries to social services as well as essential services of general interest. The provision of essential services like heating, energy, water and transport, completed by individualized social services, should be included in an overarching policy framework.

The contribution of social services to the impact of minimum income schemes and of the related accompanying measures should be taken into account and measured.

Furthermore, large territorial differences exist across and within EU Member States - in terms of socio-economic conditions, labour market opportunities, household needs and availability of services. The discussion revealed the potential positive aspects of reforms promoting decentralisation, allowing for a wider involvement of local communities and actors, such as NGOs, while pointed out the potential risks of higher discretion and increased differences among municipalities and regions.

Furthermore, an enhanced coordination both horizontally (between policy sectors) and vertically, across governance levels within the countries (local, regional, national) is strongly required.

## **3. Challenges linked to “making work pay” and “the integration in the labour market”**

Over the years, most Member States have pursued activation policies and measures within their social inclusion strategies. It was commented that for groups, facing multiple barriers to labour market participation, the challenges and risks of activation

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<sup>1</sup> Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market. <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32008H0867>

must also be seen in relation to the reduction of available jobs opportunities (e.g. related to automatisisation and robotisation or depopulation of rural areas). This is particularly relevant for less skilled workers, for people in most extreme situations of poverty and social exclusion and those persistently excluded from the labour market.

These challenges call for the need to put in place policies that ensure that those who engage in full time employment enjoy sufficiently high living and working standards, while ensuring adequate social integration for all. Well-designed work incentives and outreach practices need to be in place to tackle poverty, promote social inclusion and social mobility, while avoiding in-work poverty.

#### **4. Practices for setting the level of benefits and their impact on coverage**

The key questions posed for the working group discussions intended to gather practices and compare the advantages and disadvantages of different ways of setting benefit levels. Two general approaches emerged.

##### **a. Reference budgets**

Many countries developed reference budgets for supporting the process of benefit level setting in their minimum income schemes within their welfare contexts. The methodology ensures consensus on 'what is needed for a dignified life', reflects the cost of living and allows for flexible calculations of benefits for different household types and regional contexts. However, it was highlighted that the composition of the consumption basket in relation to the level of the minimum income benefits, as well as the definition of a dignified life are often arbitrary. It was acknowledged that the use of reference budgets might contribute to the setting of benefit levels, based on their added value to the assessment of the amount needed to live in dignity. More importantly, reference budgets can be beneficial for contextualising benefit levels, providing an assessment of what is needed to escape the risk of poverty.

##### **b. Linking the level of minimum income and the minimum wage**

In many EU countries benefits are set vis-a-vis the minimum wage. Setting the level of minimum income in relation (for instance as a ratio) to the minimum wage, allows to align minimum income with the (economic) evolution of the country in a transparent way. On the other hand, there is a need to account for the fact that minimum wages relate to individuals, while minimum income relate mainly to households. In addition, in the context of the greatly diverse methodological approaches for minimum wage settings, there is political sensitivity as regards the degree of acceptable difference between the levels of minimum wages and minimum incomes.

#### **Looking ahead, further work on Minimum Income Schemes**

Strengthened cooperation between Member States in this area harnesses the potential to find new and innovative solutions and to further explore the integrated approach to active inclusion. The exchange of experiences and good practices contributes to mutual learning, including by sharing the knowledge acquired during policy implementation at national level.

The following areas were identified by the participants as topics for further exploration: in-work benefits and the interaction of minimum income schemes with other benefits and tax policy; non-take up and conditionalities linked to the eligibility for minimum income benefits; (social) participation of those furthest from the labour market; and welfare and benefit traps.