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**“The role of minimum income for social  
inclusion in the European Union”**

**Executive Summary of the Draft Report**

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## Executive Summary of the Draft Report

Poverty and social exclusion have become crucial social and political issues in Europe. The incidence of poverty and the characteristics of people experiencing poverty vary greatly across European countries according, on the one hand, to different challenges posed by economic restructuring, social and economic development, economic structure, social, gender and generational inequalities that characterise each country. On the other hand, social policies have a great impact on the incidence, intensity and distribution of poverty as they can modify the functioning of the labour market, the distribution of resources, the ability to access income and relevant services. This study focuses on schemes that guarantee sufficient resources to citizens, independently from social contribution, as means of contrast of poverty and social exclusion. Despite the fact that different names are given to similar measures, we shall generally refer to “minimum income schemes”. Through an analysis of each scheme, and of its role in the system of economic supports of each country, the aim of the study is to identify the key issues at stake for European policies in the field of the fight to poverty, considering that European Union has continuously stressed the role of Minimum Income as a key means to prevent poverty.

Minimum income in Europe is in general a non contributory non categorical form of assistance explicitly designed to combat poverty guaranteeing an adequate standard of living and social re-integration for those whose income is insufficient. It is generally complementary to other subsistence allowances, contributory or not, and it contributes to create the so called “safety net”. The main characteristics of the measure are: a) it is a fair and equitable means tested measure addressed to people not already protected by specifically targeted policies helping them to recover from poverty and to activate themselves towards social inclusion and the access in the labour market; b) a measure that fosters the integration of social policies with active labour policies, education and training policies, housing and health policies, etc

With the exception of Greece and Hungary, and locally of Italy, all European countries have some kind of Minimum Income scheme providing income support, but they vary widely in their structure and coverage. First attempts to cluster minimum income schemes articulate them in a continuum between two main groups with a third apart:

1. one characterized by assuming the minimum income as one generalised, all encompassing benefit: this is in particular the case of Luxemburg, Austria, Czech Republic, Poland, Malta, Slovak Republic and Romania
2. at opposite of the continuum there are the countries where minimum income is designed as a last resort subsidy for all those who have already exhausted all other claims for targeted measures. In this case countries provide both categorical assistance schemes and a general minimum income. To this group belong in particular France, Finland, Germany, Ireland and United Kingdom.
3. A smaller group of countries is characterised by the absence of a general last resort measure for the presence of categorical schemes (Italy, Hungary and Greece) or the absence of a national minimum income scheme (Spain).

### **Potential strengths of Minimum Income in Europe: a first sketch**

- a) Minimum Income is an important measure of fight against poverty supporting people with an economic supply

- b) It is embedded in an integrated and strategic approach towards social inclusion, involving different policies able to have a positive impact towards social inclusion (health care, education, housing, social services and measures facilitating integration into the labour market for those capable of working).
- c) Its aim is to accompany, not only assist, the beneficiaries, guaranteeing the participation of at-risk-of-exclusion people in active life by recognising them as full citizens
- d) It promotes the production of social capital and facilitates the exploitation of public and private resources (such as knowledge, personnel, funding): an important feature of Minimum Income is to create a network between separate institutions, making them work together to improve the situation of the poorest and enhancing local social capital by involving all the community stakeholders: trade unions, private firms, etc...
- e) Through activation programs it enhances the flexibility and skills of the labour force (in particular in the Danish experience)
- f) It may represent a support in harm reduction: in particular in the Italian experience Minimum income has helped families to recover from certain potentially dangerous lifestyle choices (recovering from arrearage and debts with the public administration, reducing early school leaving of minors, etc...)

A nation (or region)-wide measure as Minimum Income may have other additional positive effects related more on the condition of its implementation than on its outcomes: the introduction of transparent and homogenous rules for means testing and equivalence scales can enable the overcoming of favouritism and of a discretionary approach and favours the assessment of results, outcomes and effectiveness of a policy against poverty.

**Potential weaknesses and risks of the minimum income experiences: a first sketch**

Weaknesses and risks of minimum income may be linked more to the way in which it has been implemented than on the characteristics of the measure in itself... In any case some specific traits can be outlined:

- a) Insufficient coverage: One of the six challenges outlined in the Joint Reports for social inclusion is to ensure that social protection systems have sufficient coverage and levels of payment to guarantee an adequate minimum income for all to live in dignity. But this is one of the main problems in several European countries: either there isn't sufficient coverage to guarantee decorous levels of payment or there isn't sufficient coverage to guarantee minimum income to all who are in need and are eligible for it, or both...
- b) the poverty trap: In many countries the debate has concentrated on the relationship between social policies (minimum wage, minimum income, the unemployment compensation system, etc.) and work. Policies providing income for those out of work are thought to create inactivity or 'unemployment traps'. The governments of many countries are seeking, or have already introduced, measures which might avoid disincentives to work.
- c) the determination of the better target for the measure: Should minimum income be the last resort subsidy for the most marginalised who have no other chance to gain money to live on, or should it be a measure for unemployed who still have residual personal and professional resources which only need to be supported, improved and upskilled? This is a continuum in which every country tries to look for the better choice and mix. Minimum income in any case should be part of a wider policy against poverty and social exclusion with specifications for each specific target group.
- d) difficulties of implementation: as it associates economic support with a strong activation policy this second part of the measure may present problems in terms for example of offer of programs and plans for activation and/or labour reintegration in particular in the most deprived areas of every single country. An important reason explaining these difficulties

is linked to lack of power, funding and competencies of social workers asked to elaborate and implement activation plans. Another problem is the discretionary power left in some cases to the Municipalities concerning the modalities of implementation of the measure allowing different treatment to similar cases even in contiguous areas.

- e) difficulties of cooperation between different institutional levels: A measure like Minimum income needs the cooperation (not always easy) between the municipalities (which are administering the active social policy), the regions or the state and the labour market, such as private business firms (where to realise job re-integration).
- f) the involvement of many people in futile working projects: A risk of activation plans is that in case of lack of real opportunities of work or other forms of activation many people are introduced to programs of low interest and low effectiveness.
- g) the interaction with social and economic development: activation policies are likely to work in an environment with job opportunities. The risk is otherwise to ask to minimum income schemes to face the unemployment problems linked to the low job demand.

### **From a European point of view**

The Amsterdam Treaty (1997) was the first to incorporate specific articles in relation to the fight against social exclusion. As a result, the emphasis on tackling social exclusion widened from a purely national matter towards becoming a cornerstone of the European Social Inclusion Policy. In recent years, economic and social cohesion has become one of the European Union's priority objectives. The Lisbon Summit highlighted the essential linkage between Europe's economic strength and its social model: the key challenge is to move from an agenda tackling social exclusion to one that fosters social inclusion: this is the essential point that mainstreams minimum income as the heart of social policies aimed at fighting poverty and social exclusion. The Social Policy Agenda seeks to ensure the positive and dynamic interaction of economic, employment and social policy, and to forge a political agreement that mobilises all key actors to work jointly towards the new strategic goal: this represents another strong point that can make of minimum income the cornerstone of a social policy fostering inclusion.

Policy models remain highly differentiated also due to the fact that they are embedded in complex and diverse more general social protection systems. The principle of subsidiarity is at the basis of European Social Policy, and the European Union can intervene namely by promoting policy coordination and cooperative exchanges, to complement Member States' action. Policies to combat poverty and social exclusion so are mainly the responsibility of the Member States: European Union may define broad common objectives but every member state chooses the means by which achieve them. Which are possible actions at a European level to foster an harmonisation of the measures?

- a) to promote a better understanding of poverty and paths towards social inclusion on the basis of new agreed indicators: many useful indicators could be integrated, in particular the ones considering the characteristics of poverty, the characteristics of the main measures adopted, the budget available for each measure, the effectiveness of measures of fight against poverty, take up rates, etc.
- b) to promote a consistent and continuous process of evaluation introducing for example an assessment report of the National Action Plans/Inclusion on Minimum Income measures, to urge countries to use NAP/INC as a more useful instrument in the fight to poverty and social exclusion and to disseminate periodically all over Europe cases of best practices, solution adopted to specific problems encountered at national level...
- c) to promote the interdependence of policies within the global objective of promoting social inclusion by actions under the Structural Funds and impact assessment evaluations