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ROADMAP FOR A COUNCIL RECOMMENDATION ON ADEQUATE MINIMUM INCOME SCHEMES IN THE EU

CONTRIBUTION TO A CALL FOR EVIDENCE BY THE EUROPEAN COMMISSION

The European Confederation of Independent Trade Unions (CESI) is a confederation of more than 40 national and European trade union organisations from over 20 European countries, with a total of more than 5 million individual members. Founded in 1990, CESI advocates improved employment conditions for workers in Europe and a strong social dimension in the EU. CESI represents public and private sector workers and is a recognised European sectoral social partner.

Main messages

CESI broadly welcomes an EU initiative to strengthen minimum income schemes in the EU.

Overall, CESI shares the European Commission's assessment of challenges in the field of minimum income schemes across the Member States, as laid out in its Call for Evidence published in March 2022, but disagrees with the envisaged policy instrument, a Council Recommendation, to address these challenges.

Without binding standards by means of a directive, a cross-cutting implementation and enforcement of EU provisions on minimum income schemes in the Member States is unlikely.

CESI generally agrees with the description of the political context and the practical need for EU action as laid out in the European Commission's Call for Evidence. Clearly, in a Single Market which is based on the freedom of movement of citizens and workers and which is economically and financially deeply integrated, achieving upward social convergence and relatively decent living standards across its territory is of utmost importance. Effective and adequate minimum income schemes can play an important role to provide such decent living standards across the Union and prevent migration based on socio-economic push and pull factors.

However, the aim of the initiative falls short of the problem at hand. The objective, the realisation of the target of European Commission's Action Plan to implement the European Pillar of Social Rights to reduce the number of people living in poverty or social exclusion from 90 million in 2019 by 15 million to 75 million by 2030, is not necessarily ambitious enough. Accordingly, the EU's initiative to strengthen minimum income schemes in the Member States should be forceful enough to lift considerably more persons out of poverty.

CESI generally agrees with the problem that the initiative aims to tackle, as described in the European Commission's Call for Evidence. CESI shares the view of the European Commission that minimum income schemes "vary significantly in their adequacy and coverage of benefits", which questions "how effective the schemes are overall." According to CESI, minimum income schemes can only be considered as meeting their objective if they effectively prevent persons from falling into poverty. This should be the guiding principle underpinning an EU initiative on the subject matter. In view of this:

1. The EU initiative should ensure that gaps in the coverage of benefits as a result of inappropriate eligibility criteria as well as of gaps in the take up of benefits due to unawareness of eligibility are reduced to a minimum. The former will require clear stipulations of rules, principles and possible exemptions in the EU initiative for the Member States, as well as measures to prevent fraud and abuse. Concerning the latter, more support and resources will be required for public authorities, and public employment services in particular, to inform concerned citizens.
2. The EU initiative should help ensure that minimum income schemes – which are set, as in most Member States, at below the national poverty thresholds – are increased to a level that prevents people from falling into poverty. In well-justified cases, it should be allowed to integrate minimum income schemes with other social benefits or income support, but the EU initiative should make clear that the final result should never be that persons fall into poverty. Regularly and in a transparent manner, the rules, coverage and adequacy of minimum income schemes should be reviewed and updated against price indexes to ensure that people do not fall into poverty over time. In doing so, naturally, minimum incomes should remain below full-time employment earning equivalents under national minimum wages, which must be high enough to enjoy living standards well beyond poverty thresholds. Incentives to work must remain for all those that can, while a poverty-free standard of living for all those that cannot must be guaranteed.

Raising minimum income floors will in many Member States require substantial public spending, but they will be (more than) offset by socio-economic benefits. Economically, in particular, VAT revenues will increase because lower-income households tend to spend almost all of their income on daily consumption goods. Socially, deprivation is combated, cohesion strengthened. Adequate and effective minimum incomes would bring tangible and direct improvements to the lives of millions of people. They would help ensure that in the EU the economy works for people, and not the other way round.

3. To help all people that can work make the step into labour markets and higher living standards, the EU initiative should promote more tailor-made and effective activation measures. Beyond simplified administrative procedure and better interconnectedness and internal coordination within and among local authorities, public employment services and social security institutions, this will require investments in their resources and equipment as well as in their personnel and further training. When improved services bring people back into work, this is a forward-looking investment that quickly pays off in economic and social terms.

CESI disagrees with envisaged policy instrument suggested in the European Commission's Call for Evidence to realise the EU initiative – a Council Recommendation – to strengthen minimum income schemes in the Member States along the above considerations. Without minimum standards based on a binding legislative act (e.g. a directive), a cross-cutting implementation and enforcement of EU provisions on minimum income schemes in the Member States is unlikely. CESI proposes as legal base article TFEU 153(1)h on the integration of persons excluded from the labour market, in combination with article TFEU 153(2)b which provides for the adoption of a directive under the ordinary legislative procedure with qualified majority voting in the Council. This could combine legally binding objectives for Member States with their ability to set their own ways of how to achieve them.