

Fighting poverty and social exclusion - including through minimum income schemes

The [original full study](#)¹ analyses the situation in the EU as regards poverty and social exclusion and explores the solutions currently debated for mitigating the risk of existing and increasing poverty and social exclusion, in particular through adequate standards of minimum income. The first part of the study offers a critical assessment of the concepts used to measure poverty, discussing the limitations of different indicators and data with reference to EU countries. It also highlights the intersection between individuals' poverty status and eligibility for anti-poverty transfers. The second part then focuses on national and EU-level policies dealing with poverty and social exclusion, in particular on minimum income schemes (MIS), presenting 6 country case studies and evaluating the feasibility of an EU-wide minimum income framework. The study concludes with a series of policy recommendations for both Member States (MS) and EU institutions.

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Background

Despite positive developments over the last few years, almost 91.4 million EU citizens, including 69.4 million in the euro area, were still at risk of poverty or social exclusion in 2019, and these numbers are expected to increase following the COVID-19 crisis. This issue has recently led to a number of European level initiatives aiming to address poverty and social exclusion, including the European Child Guarantee, the Porto Declaration, the ESF+ and the anti-poverty dimension of the Recovery and Resilience Facility.



In 2017, the European Parliament called for all Member States to introduce adequate minimum income schemes, highlighting the role of minimum income protection as a tool for fighting poverty. The institutional framework for taking action at the supranational level in the field of minimum income protection was also introduced, with principle 14 of the European Pillar of Social Rights stating that "Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services".

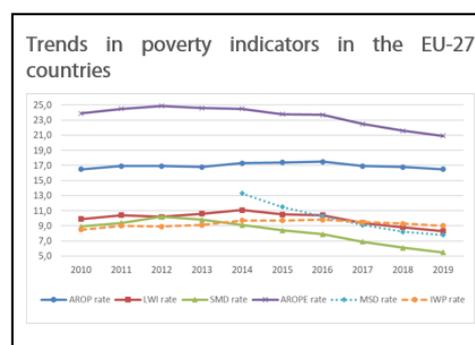
However, to date, no such legislation has yet come to fruition, beyond the announcement of a Council Recommendation on minimum income in 2022. This study discusses the feasibility of introducing binding EU-wide legislation defining a common framework for minimum income schemes, and discusses the main questions which should inform such legislation:

- Which indicators should be used to measure poverty?
- How should eligibility for minimum income schemes be defined?
- What are the key features of national minimum income schemes?
- What EU-level actions are possible in this regard?



Key findings

Poverty is a notoriously difficult concept to define and measure. Depending on the definition chosen – using an absolute or a relative poverty line; focusing on income; consumption; setting a higher or a lower poverty line – the same individual can be considered poor or not poor. This problem is particularly salient when considering cross-country comparisons among EU Member States, as each country has its own way of defining poverty which may be used to set the eligibility requirements for anti-poverty transfers, and may largely differ from the definition followed in the EU indicators. This study underlines the need to use several indicators capturing the various dimensions of poverty and to capture accurate data from administrative and survey sources.



Simple computations carried out through EU-SILC data also show that the overlap between the most used poverty concepts and the entitlement to MIS is far from perfect, i.e. those who are poor are not always entitled to benefits, and those who do receive benefits are not always poor. This calls for great attention and transparency about the rules used to define the groups of people in need and to establish the correct means-testing conditions for being eligible for social benefits and minimum incomes. Entitlement conditions (i.e. the coverage) and the amount of the benefit package (i.e. the adequacy) also have to be carefully assessed in order to make sure that those who are most in need receive adequate benefits.

The country case studies reveal low take-up rates by potential participants signalling significant bottlenecks during the claiming process. Simplifying access procedures would ensure a higher take-up rate of minimum income benefits, reduce information asymmetries, and ensure that all people in poverty can access minimum income protection.

Due to the multi-faceted nature of poverty and social exclusion, no single policy is sufficient to combat it. An effective anti-poverty strategy therefore requires both predistributive measures – affecting market outcomes and skills development – and purely redistributive measures such as minimum income schemes. These should be designed in order to respect three fundamental principles: adequacy, accessibility and enabling character. This implies that each country should allocate sufficient resources to effectively reach the poverty targets set by the European Pillar of Social Rights Action plan, and that benefits should be set at a level that allows all household types to live in dignity, regardless of nationality or residency status. Asset tests should also be carefully designed in order not to exclude out of hand vulnerable people at risk of poverty nor to discourage people at risk of poverty from saving money. Conditionality mechanisms should respect the basic principle of the protection of a minimum standard of living. They should be thus carefully graduated considering beneficiaries' individual conditions.

At EU level, it is recommended that, in the field of measures to fight poverty & social exclusion, and especially Minimum Income Schemes, EU institutions and governance procedures aim to:

- strengthen minimum income protection, including by promoting upward convergence across MS;
- reinforce MIS along the three key dimensions of i) accessibility, ii) adequacy, iii) enabling character of activation measures;
- promote reforms which respect the basic principle of ensuring minimum standards of living, especially with regard to both the setting of benefit levels and design of activation/conditionality mechanisms;
- ensure that MS remove discriminatory rules and obstacles limiting access for particular social groups (e.g. young, new residents, ethnic groups, homeless, etc.).

¹ Raitano, M., Gallo, G., Jessoula, M., Pagnini, C., 2021, *Fighting poverty and social exclusion - including through minimum income schemes*, Publication for the committee on Employment and Social Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg. Available at: [http://www.europarl.europa.eu/RegData/etudes/STUD/2021/662932/IPOL_STU\(2021\)662932_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2021/662932/IPOL_STU(2021)662932_EN.pdf).

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Administrator responsible: Aoife KENNEDY; Editorial assistant: Roberto BIANCHINI

Contact: Poldep-Economy-Science@ep.europa.eu

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