Strengthening minimum income protection in the EU

KEY FINDINGS
Principle 14 of the European Pillar of Social Rights (EPSR) lays the foundation for the right to an adequate minimum income. The Commission’s Action Plan on the implementation of the EPSR - presented on March 4, 2021 - proposes a Council Recommendation on minimum income to be adopted in 2022. In parallel, the Action Plan sets a new target of reducing the number of persons at-risk-of poverty and social exclusion by at least 15 million in 2030. The European Parliament, on the other hand, is calling for legally enforceable social rights and for specific social objectives to be reached by 2030.

Regardless of whether a directive or just a recommendation on a minimum income instrument to alleviate poverty and social exclusion is agreed upon, there are several aspects to be considered.

First, the role of minimum income schemes (MIS) in the wider social protection systems of Member States should be taken into account. Institutional differences in national social protection arrangements are important to understand the role and scope of MIS in the respective Member State. Comparing minimum benefit levels alone gives an incomplete picture of the support that is available in practice for low-income households. Second, the monitoring framework at EU level has to be improved. A more coherent implementation of targets at national level compared to what happened under the EUROPE-2020 strategy is needed.

Comparing the effectiveness of Member States' minimum income systems in terms of adequacy, access to benefits and enabling services also requires the collection of national administrative data, e.g. on the kind and extent of social and employment support and research on its impact on overcoming poverty.

To derive suggestions for sound anti-poverty policies and to foster upward convergence in the EU it is important to review performance indicators such as at risk of poverty (AROP) which measures income inequality rather than poverty. Existing indicators need to be extended to include further dimensions, i.e. how far are the poor from the poverty line and the capacity of minimum income schemes to reach those in need. Recent improvements in this respect should be developed further and consequently incorporated into the European Semester.

Recent initiatives to strengthen minimum income schemes
In October 2020, the Council presented its conclusions on strengthening minimum income protection in the EU. The document invites the Commission to "initiate an update of the Union framework to effectively
support and complement the policies of Member States on national minimum income protection to combat poverty and social exclusion in the COVID-19 pandemic and beyond. On March 4, 2021, the EU Commission presented an Action Plan on the European Pillar of Social Rights (EPSR). Both initiatives are the starting points to work towards strengthening and modernising social protection and inclusion systems. The Action Plan sets out a Council Recommendation on minimum Income to be adopted in the course of 2022. Principle 14 of the EPSR lays the foundation for the right to an adequate minimum income: “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”.

The European Parliament welcomed the Council conclusions on December 17, 2020 in a Resolution on a strong social Europe for Just Transition calling for legally enforceable social rights and for specific social objectives to be achieved by 2030. The Parliament advocates for the integration of the EPSR and a social progress protocol in the Treaties, protecting social rights on an equal footing with economic freedoms. To this end, the Resolution suggests supplementing the Social Scoreboard accompanying the European Pillar of Social Rights with additional indicators covering e.g. robust social welfare systems.

This briefing is preceding a broader study on “Fighting poverty and social exclusion (incl. minimum income schemes)” requested by the EMPL committee in view of a possible Union framework on minimum income protection. The briefing provides an institutional perspective on minimum income schemes (MIS) in Member States and their different role and scope within national social protection systems. It also examines the EU monitoring framework and points to shortcomings and gaps on the road to a Union framework on minimum income protection.

Role and scope of minimum income schemes in the EU

The EU has only limited competence with respect to social protection. Hitherto, Member States have established income support and decided on the related policy mix in accordance with the principle of subsidiarity. While in place in all Member States, minimum income schemes vary significantly in their adequacy, coverage, take-up and articulation with labour market activation measures and enabling goods and services. There are, however, not only huge cross-national variations in terms of benefit levels and coverage but also in terms of the significance and role of MIS in the overall social protection system. MIS are part of social protection systems and are deeply engrained in the various national systems. Comparing minimum benefit levels alone gives an incomplete picture of the support that is available in practice for low-income households.

MIS are usually the last safety net of national social protection system and serve to guarantee a - politically defined - minimum income standard. MIS provide income replacement for those who are able to work, but also for those of working age who are unable to work, as well as supplementary benefits for wages or pensions. The focus in this briefing is on needy households where at least one household member is capable of working. An overview of major design features of MIS is given in the box below.

Role of MIS in the wider social protection system

The usual categorisations of minimum income schemes provide little information on the role of minimum income schemes in the broader framework of welfare provision. Institutional differences in national social protection arrangements are important in understanding the different roles and scope of MIS in Member States. Comparative research also highlights different worlds of last-resort safety nets.

Member States operate very different social protection regimes. In a first group of countries, minimum income systems operate as lower-tier programmes alongside more or less generous primary income replacement benefits for working-age people capable of working. In these countries, they have mainly an anti-poverty function. This is the case in the Nordic countries but also in Belgium, Luxembourg and the
Netherlands, where MIS are firmly institutionalised but small because higher tier social protection systems (unemployment and disability insurance and/or unemployment assistance) show a high degree of inclusiveness in terms of coverage, eligibility conditions and duration of entitlements. In such a context, means-tested last-resort minimum income schemes play a rather residual role with an incidence of about 2 per cent among the working-age population in Denmark, Sweden or Belgium.

In other Member States, MIS are more comprehensive. They act not only as anti-poverty instrument but also as principal instrument for delivering social protection. This is usually the case in anglophone countries (UK, IE), where higher-tier social protection is limited. There, means-tested basic income combine unemployment and social assistance benefits - covering large parts of the able-bodied working-age population. Also in Germany, means-tested welfare benefits assume the most important role in the "basic income scheme for jobseekers" including two thirds of all unemployed. In 2005, unemployment and social assistance were merged to the "basic income system for jobseekers", colloquially known as "Hartz IV". It is nowadays the dominant social protection scheme for needy households being complemented by categorical and supplementary social assistance benefits.

Other continental European countries such as Austria or France use "layered" systems. They combine first-tier out-of-work benefits with means-tested but wage-related unemployment assistance schemes. These are upstream of MIS, which subsequently take effect when unemployment insurance benefits have expired.

In the economically weaker countries in Southern and in Eastern Europe, MIS are usually categorical, patchy and incomplete. They cover often only small segments of the population. However, Southern Member States (Italy, Spain, Greece) provide the majority of support for low-income families in the form of contributory insurance-type transfers. In Italy, for example, in 2015 and before the introduction of the Citizenship Income, 73 per cent of spending on the lowest-income households in 2015 was in form of contributory insurance-type transfers and another 20 percent in form of universal transfers, i.e. non means-tested child benefits.\(^5\)
Key characteristics of minimum income benefits

A common feature of minimum income schemes (MIS) is that they provide benefits that are not linked to previous employment or contribution history. While first-tier support typically requires contributions, safety-net benefits are granted based on need. MIS typically employ a low-income criterion to target households with no or limited access to other resources and use means-testing as the key eligibility criterion. Eligibility conditions related to financial wealth and earned income as well as to residence or age differ considerably across countries. They - along with the nationally defined poverty threshold - determine the scope of the population covered by the scheme.

Minimum income benefits (monetary and in-kind transfers) are tax-financed and, in many but not all countries, are granted for an indefinite period. Central objectives of MIS are securing subsistence and providing poverty alleviation. At EU-level, there are commonly used relative thresholds for identifying "low-income" or "income-poor" households.

The ability to protect against poverty and social exclusion depends, among other things, on the generosity and accessibility of benefits when needed. Legal entitlement rules are crucial determinants of access. Entitlement rules might be generous or restrictive, limiting the coverage and/or duration of benefits. The statutory rules affecting these entitlements are complex and therefore it is not that easy to compare income support levels across Member States.

As a rule, minimum income benefits do not consist of a single cash benefit (as sometimes erroneously reported in comparative studies) but consist of a package of benefits including standard cash benefits, housing benefits and family benefits (for families with children), regular supplements for specific groups such as disabled people or lone parents and benefits in kind (e.g. food vouchers, school lunches, or reduced price tickets for public transport). Several countries also provide one-off cash benefits for earmarked individual needs (e.g. for housing equipment).

There are a variety of mechanisms for establishing the level of payments. Many (but not all) countries have a set of clearly specified indicators, which normally takes account of household composition. The most common approach is related to establishing minimum living standards (e.g. through prices, basket of goods, the absolute poverty line, reference budgets) or through expenditures of lower-income groups, or the level of payment is tied to the minimum wage. Access to benefits is based on either a strictly rights basis or on a predominantly rights basis with some discretionary elements.

Over the past twenty years, MIS have undergone major transformations by providing income support and favouring the empowerment of poor individuals and their social inclusion. This activating function has been promoted by the active inclusion approach of the European Commission. Activating minimum income schemes pursue the goal of overcoming poverty and need by integrating recipients into the labour market. Cash transfers paid to individuals or households who satisfy means tested conditions are associated with conditionality rules about job search and linked to labour market policy measures and access to services such as debt counselling or childcare but also to sanctions in case of non-compliance.

A detailed analysis of the design of MIS in the Member States is provided by European Commission, 2016 and European Parliament, 2017.
Recent reforms in southern Member States

Nonetheless, southern Member States have reformed their rather residual MIS in recent years. In Italy, the "Citizenship Income" was introduced for the first time at national level in 2019. In June 2020, Spain established a "Minimum Vital Income" at national level as a reaction to COVID-19. The scheme is expected to extend the coverage of the existing regional schemes, as well as to reduce regional disparities. Greece introduced a universal minimum income scheme already in 2017 as a reaction to the economic crisis in 2008/09. The Greek "Social Security Income" (SSI) was designed following the basic principles of MIS (see Box).

Introducing a Universal Social Safety Net: The example of Greece

After signing the second Memorandum of Understanding in March 2012 between the Greek authorities and the "Troika" the Greek government went ahead with a means-tested income support programme, for the first time combining income support (first pillar) with fostering social inclusion (second pillar) and labour activation measures (third pillar).

While labour market activation measures still need to be fully implemented, a range of complementary social services and goods has been gradually offered to SSI beneficiaries to foster their social inclusion. Implemented both at national and municipal level, the second pillar includes material assistance provided by the Fund for European Aid to the Most Deprived (FEAD), socially adjusted tariffs for electricity and water, discounts or exemption from municipal taxes, access to counselling, referrals to support structures such as social grocery shops and pharmacies, free access to museums, etc.

An impact assessment, delivered to the Greek authorities by the World Bank in January 2019, highlights the strengths and innovative qualities and identifies specific weaknesses of the Greek programme. In particular, distributional analysis shows that almost 60 per cent of SSI recipients belong to the lowest decile while 80 per cent of them are classified as poor using Eurostat's extreme poverty definition. What is more, the programme's budget is allocated effectively, as almost 85 per cent of funding resources reach poor households. As far as adequacy is concerned, the level of benefit significantly contributes to household budgets, given that 70 per cent of these assessed its importance as "very significant". The SSI does not have much of an impact on poverty incidence and inequality, but it does reduce quite significantly the severity of poverty.

On the other hand, even though the eligibility threshold coincides almost exactly with that of the poorest decile, less than 40 per cent of the households within the decile receive the benefit. Another alarming issue is the proportion of single-member households in comparison with the general population. This highlights the difficulty in identifying the real household composition to be eligible for the programme. Finally, the limited implementation of the third pillar was identified as a key barrier to achieving greater overall impact.


Assessing the adequacy of income support

At EU-level, the integrated guidelines for employment policies set out policies for fighting poverty and social exclusion in line with the active inclusion approach. These guidelines form the legal basis for the European Semester process providing the monitoring framework through a social indicators portfolio following the key principles of universal access, adequacy and active inclusion of MIS. Income support schemes are adequate when able to alleviate poverty and social exclusion as measured by the "at-risk-of-poverty and social exclusion" rate (AROPE) combing three indicators: the at-risk-of poverty (AROP) rate, the
(quasi-)joblessness rate and the severe material deprivation rate. People at risk-of poverty or social exclusion are people who are at risk of poverty (AROP) and/or experiencing severe material deprivation (SMD) and/or are living in households with very low work intensity. AROPE is measuring relative poverty (at-risk-of poverty/AROP) as well as absolute poverty (material deprivation). Absolute poverty means that people cannot satisfy their basic needs, such as food, clothing or housing. Relative poverty, on the other hand, means that in relation to the society in which one lives, one can afford less than the majority of one’s fellow citizens.

AROP ("at-risk-of poverty rate") is the principal poverty measure within this framework. AROP has the great advantage that it can be easily compared between countries and over time but has the disadvantage that it is not able to cope with upswings in living conditions. If the welfare level of all members of a society increases to the same extent, the poverty risk rate remains constant. Hence, AROP reflects the inequality of income within a society rather than poverty.

The appropriateness of the AROP indicator is also questioned when looking at the results of Figure 1. What is striking is the fact, that even in the most generous Member States, benefit levels are not enough to lift people out of (relative) poverty. While levels of minimum income benefits differ enormously across Member States ranging from 9% in Romania to 59% in Ireland, benefit levels for a single member household are close to the relative poverty threshold (60% of national median income) only in Ireland.

The calculations are based on the OECD tax and benefit (TaxBEN) model incorporating detailed policy rules for benefit entitlements as they apply to working-age individuals and their dependent children. When calculating the adequacy of MIS based on EU-SILC survey data (self-reported social exclusion income smoothed for three years) results are similar. According to SILC data, the net income of MIS recipients is close to the poverty threshold only in Ireland and the Netherlands (see Figure 3).

For families with children, benefit levels are usually higher. Comparatively generous family benefit allowances boost the benefit packages of couple households with children, particularly in Poland, Slovenia and Lithuania (Figure 1) and for lone parents with children in Germany (Table 1). Table 1 shows the actual benefit level in absolute numbers for selected EU Member States including the reimbursement of the actual housing costs and not hypothetical housing costs as in Figure 1.

The results presented below question the appropriateness of the AROP indicator to assess poverty, particularly when compared to material deprivation. Material deprivation index behaves like an absolute poverty measure implying that when the standard of living in a society rises equally for all, material deprivation falls. Hence, there is a substantial mismatch between both risks. Data for various countries show that the observed trends in material deprivation often differ from relative poverty trends in the same period. This is particularly the case in countries with relatively high living standards and low overall material deprivation. Hence, relative measures of low income (AROP) and of material deprivation do not identify the same people as being poor. A sizeable group of Europeans is at-risk-of-poverty without being materially deprived.
Figure 1: Minimum income benefits in % of national (equalised) median disposal income, 2019

Table 1: Net minimum income benefits, adjusted for purchasing power in €, 2019

<table>
<thead>
<tr>
<th>Member State</th>
<th>Single</th>
<th>Couple, 2 kids (3 and 8 Y)</th>
<th>Lone parent, 2 kids (3 and 8 Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>861</td>
<td>1.550</td>
<td>1.386</td>
</tr>
<tr>
<td>Denmark</td>
<td>957</td>
<td>2.484</td>
<td>1.510</td>
</tr>
<tr>
<td>Germany</td>
<td>889</td>
<td>2.100</td>
<td>1.825</td>
</tr>
<tr>
<td>France</td>
<td>640</td>
<td>1.370</td>
<td>1.630</td>
</tr>
<tr>
<td>Netherlands</td>
<td>969</td>
<td>1.707</td>
<td>1.540</td>
</tr>
</tbody>
</table>


Note: Calculations are based on statutory entitlements including the reimbursement of the actual housing costs but do not include in-kind benefits and services such as vouchers for school meals, discounted tickets for public transport or health care for children.

Ability of MIS to alleviate poverty

Given the restrictions of the AROP indicator it is crucial to know what is the impact of the respective MIS on
poverty alleviation? What share of income-poor households are covered by MIS? Coverage generally depends on the accessibility of minimum income support in practice. The figure below shows that the poverty alleviation ability is on average less than 50 per cent but varies considerably across 21 Member States. Minimum income support reaches a high share of the income-poor households only in France, Germany, the Netherlands and the Slovak Republic. In most other countries, the ratios are 50 per cent or lower – and below 20 per cent in Latvia and Estonia.

Nonetheless, low-income families might receive not only minimum benefits but also other types of benefits as many countries operate additionally universal or means-tested child or family benefits. Comparing support across countries for households at-risk-of poverty requires thus a broader look at the overall benefit packages that may be available to those in acute economic need.

Figure 2: Households receiving minimum income benefits as % of income-poor working-age households, 2016

Source: OECD SOCR database (https://www.oecd.org/social/recipients.htm); EU-SILC for poverty headcounts.

Note: "Income poor" refers to households with income below 50% of the national median. Recipient numbers refer to the main MIB in each country plus specific lone-parent benefits (in Ireland and the United Kingdom) and non-contributory unemployment benefits (in Denmark, Germany, Ireland, Spain and the United Kingdom). Greece, Poland: comparable recipient data were not available. The denominator for Ireland is poor individuals, as MIBs are awarded at individual level. The ratio of benefit recipients to income-poor households could in principle exceed 100% if recipients include large numbers of non-poor households.

Protective capacity of MIS during the pandemic

It is likely that the COVID-19 crisis will tend to exacerbate existing challenges in poverty. This depends very much on the cushioning effect of fiscal policy measures adopted in most Member States in response to the crisis. To mitigate the social impact of the COVID-19 crisis, many Member States have extended social protection to previously uncovered groups such as the self-employed.

The pandemic, however, is also a stress test for MIS. European MIS have shown, so far, a differential protective capacity during the pandemic depending on accessibility and generosity of eligibility conditions. In various countries, temporary measures were put in place to bridge existing gaps. Latvia’s government, for example, has approved a plan for a Minimum Income Support System for 2020-2021 and Lithuania amended its legislation on Cash Social Assistance for Low-Income Families in May 2020 to better protect those most likely to be affected by the COVID-19 pandemic⁹.

Even Member States with broad accessibility to minimum income have further simplified access and eligibility conditions. In Germany, for example, access to the basic income scheme has been temporarily (March 2020 to December 2021) eased through a more generous asset test (increasing the threshold to 60.000€ for a single-member household) and the suspension of an upper limit for housing costs. Although
these simplifications were applied to all basic income beneficiaries, they were mainly designed to provide better access for self-employed people and freelancers affected by business shutdowns. The increase in the number of beneficiaries has been, however, rather modest (+1.2% between Jan. 2020 and Jan. 2021). One reason for the low increase might be that workers with non-standard contracts or self-employed and micro-entrepreneurs with low income were already eligible before. Moreover, the relatively low increase might be also related to the "welfare stigma" of the basic income scheme despite it being based on social rights rather than being a handout.

A different example with considerable gaps in covering low-income families in times of crisis is Italy. In May 2020, the Italian government introduced an "emergency income" (Reddito di emergenza) to cover existing gaps in the "Citizenship Income" (RdC). Eligibility conditions for the RdC, introduced in 2019, were clearly too strict for many low-income families. About 28% of households applying for the RdC did not receive it. For the "emergency income" some eligibility conditions were relaxed, such as the residency requirement (the RdC requires 10 years of residence to be eligible) in order to include more non-EU citizens. Furthermore, income and wealth (ISEE) thresholds were extended from 9.360€ to 15.000€ for a single-member household, thus enlarging the set of potential beneficiaries.

The question is whether temporary measures will be made permanent to respond to the ongoing needs of different groups. Temporary MIS measures can be a source of inspiration for structural reforms. Reforming the structure of national minimum income schemes to bridge the gaps in national schemes that emerged during the COVID-19 crisis might be an important step towards building more effective MIS.

**Inactivity traps**

Periods in receipt of minimum-income are often long or occur repeatedly. To reduce the risk of poverty, able-bodied minimum income recipients need to seek income from other sources, particularly income from work. For those who can work, minimum income benefits should thus be combined with incentives to (re)integrate into the labour market. Do minimum benefit systems encourage take-up of employment?

While taking up a low-paid job might bring large income gains in countries with low benefit levels such as Romania or Bulgaria, income gains from taking up (low-paid) work are often small in Member States with more generous benefit levels leading to so-called "poverty or inactivity traps". Inactivity traps arise when incentives to work are low because of the small distance between benefit income and (low-or minimum) wage. Figure 3 compares the income of a beneficiary household to the income of a low-wage earner household. This indicator was recently incorporated into the EU benchmarking framework to monitor the adequacy of income support in addition to the AROP indicator. The lack of distance between a beneficiary household and a low-wage household is not only a disincentive to work but it might also be considered as a lack of fairness with respect to low-wage earners who - as taxpayers - finance the benefits for others.

However, not only financial disincentives discourage MIS recipients from taking up employment or from looking for work. MIS recipients often face multiple barriers in returning to the labour market. As a consequence, tailoring and targeting social and employment support (access to enabling services as the third dimension of effective social protection) as well as integrating services in a way that works for minimum income recipients with employment barriers is of high importance. Comparative studies, however, show that closely co-ordinated or fully integrated social and employment services for minimum income recipients are currently available only in about one third of Member States.
Building blocks for a European framework on minimum income

Reacting to the Council Conclusions on strengthening minimum income protection in the EU, scholars, social partners, third sector organisations and EU institutions alike presented arguments in favour of a framework directive on minimum income. They argue that soft law on its own is not enough to enforce people’s right to a minimum income. In a similar vein, the European Parliament, the European Economic and Social Committee as well as the European Trade Unions Council (ETUC) and civil society organisations (e.g. Social Platform) support the request for a stronger commitment at EU level.

Citizens’ support for a European minimum income benefit scheme

Before discussing what a Union framework on adequate minimum income could or should look like, it is quite interesting to explore whether European citizens are willing to support such an initiative. Data from the 2016 European Social Survey (ESS) sheds light on public support for a European minimum income benefit. Respondents in 18 countries were asked to indicate the extent to which they support an EU-wide social benefit scheme for all poor people. The survey questionnaire indicated that the purpose was to guarantee a minimum standard of living for all poor people in the EU, and that richer EU countries would have to pay more into such a scheme than poorer countries. On average, two in three respondents expressed support for an EU-wide social benefit scheme that would guarantee a minimum standard of living for the poor. In a new Eurobarometer Survey commissioned by the European Parliament carried out between 20 November and 21 December 2020 in all 27 EU Member States, 48% of respondents expressed the view that the main priority of the European Parliament in uncertain times should be the fight against poverty and social inequalities. Yet, behind this relatively strong support, public opinion varies across EU Member States. Levels of support diverge within countries as well as between countries. People in less developed welfare states favour a European minimum income benefit more strongly because of their high hopes for upward social convergence. This segment is smaller in Member States where social standards are already relatively high. In poorer countries citizens expect European integration to result in social progress, while in more developed welfare states there are many concerns about social dumping and the diminution...
in the quality of social protection.

**Proposals for a legally binding instrument**

Although it is not clear whether a legally binding tool (directive) can be based on Article 153 TFEU, such an instrument will set “core standards”. The umbrella organisation Social Platform 16, for example, calls for establishing common definitions, principles and methods to improve existing fragmented national minimum income schemes. Equal access should be based on a rights-based approach and should be enforceable for everyone. However, there is a variety of normative choices to make when establishing a common level of basic needs and poverty thresholds. A legally binding directive, therefore, would first and foremost necessitate a basic consensus on what MIS are about. Should the minimum living standard include only the most basic subsistence (shelter and food) or also cover resources for social participation, such as meeting friends? How far should these needs be considered universal, or should they allow for national or regional living standards and customs? Normative choices have also to be made regarding the activate inclusion approach. Should the activation approach include also criteria for benefit cuts (sanctions) in case of non-compliance or contain only rights without duties?

**Proposals for a non-binding instrument**

The Commission’s Action Plan on EPSR proposes a (non-legislative) Council recommendation on minimum income to be adopted by 2022 in order to effectively support and complement the policies of Member States. Such recommendation should review both the eligibility criteria for MIS to avoid the exclusion of certain groups such as migrants or homeless people and the indicator portfolio measuring the effectiveness of MIS. The analytical work of the European Semester has been recently strengthened through a benchmarking framework on minimum income 17 which was developed by the EU-Commission in coordination with the Social Protection Committee. The new framework complements existing monitoring tools through additional performance indicators such as the "persistent-at-risk of-poverty rate" or the benefit recipient rate for people at risk of poverty in (quasi-)jobless households. However, there are still no indicators in place on access to benefits, i.e. the capacity of minimum income schemes to reach those in need. Only some quality context information is collected on means testing and residence requirements. There are no indicators on "non-take-up" either. The gap between the coverage of minimum income schemes and actual non-take-up of benefits can be large 18. If eligible households do not take up transfers, such programmes are ineffective and the basic needs of vulnerable population groups remain unaddressed.

No specific indicator has been identified either to measure the access to enabling services. Only proxy or auxiliary indicators in the areas of access to healthcare, housing, and training have been defined. Although there are no concrete proposals for the implementation of Article 14 of the EPSR at the moment, the Commission’s Action Plan proposes to maintain the "at risk-of-poverty and social exclusion" rate (AROPE) as the headline indicator. As discussed above, AROPE combines three different dimensions: relative income poverty, severe material deprivation and jobless households. In the past, Member States could choose their preferred measure among these three elements. Monitoring progress on fighting poverty and social exclusion in the context of the European Semester was therefore not consistent and might be one of the reasons why the Europe-2020 target on poverty reduction has not been achieved. To successfully reach the new 2030 target of reducing the number of persons at-risk-of poverty and social exclusion by at least 15 million - stipulated recently in the Commission’s Action Plan on implementing the EPSR - national action plans should be more uniform, adding up to the EU-level target. Moreover, they should be better integrated into the mainstream of policy making in the European Semester process.

**Improving data availability**

The recent Council Conclusions on strengthening minimum income call on the Member States to examine
their minimum income schemes regularly and to collect data on their effects, thus supporting the European Commission, the Social Protection Committee (SPC) and the Employment Committee (EMCO) in preparing periodic reviews of key indicators. Data availability at European level through EU-SILC or the Mutual Information System on Social Protection (MISSOC) is obviously not sufficient to meet this requirement. To respond to the demand of the Council it is necessary to collect and harmonise administrative data at national level. To derive suggestions for sound anti-poverty policies it is important to revise and complement the existing indicators and to include additional dimensions, e.g. how far are the poor from the poverty line or how the conditions of the poor vary. Moreover, the strictness of asset tests, behavioural requirements, and the type and extent of social and employment support are important elements to consider when comparing the effectiveness of Member States' minimum income systems in order to provide guidance and foster upward convergence in Europe.

5 OECD (2020): How reliable are social safety nets? Value and accessibility in situations of acute economic need. Available at: https://doi.org/10.1787/65a269a3-en.
7 The operationalisation of material deprivation is available at: https://ec.europa.eu/eurostat/web/main/data/database.
8 See e.g. the German example available at: https://www.iab-forum.de/die-materielle-versorgung-von-hartz-iv-haushalten-hat-sich-in-den-letzten-jahren-verbessert-deren-relative-einkommenssituation-nicht/.

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