

Minimum Social Standards Across Europe

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Discussion Paper	Minimum Social Standards applied to Income
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1. Introduction and context

The aim of this paper is to support the discussions at the Vantaa seminar on whether it is desirable or possible to set minimum social standards (in this case income) across the EU. It draws on firstly the paper prepared for the project by the Observatoire social européen (OSE), on *Guaranteed Minimum Income Schemes in the EU* and secondly the reports prepared by the partners following their national and regional roundtables.

It will not repeat the information in the OSE paper or try to reflect the diversity and detail in the national/regional papers, these papers are all available on project website, but it will draw from them. The OSE report notes the different forms and names of minimum income schemes across the EU, both contributory and non-contributory, and provides a working definition:

“A guaranteed minimum income is a means-tested, non-contributory and universal income guarantee, designed to act as (part of) the ultimate safety net of social protection in order to prevent individuals or households to fall into (severe) poverty or below decent living standards.”

and notes that:

“Guaranteed minimum income schemes play a specific and crucial role in the fight against poverty and social exclusion, as they are a last resort of social protection, a main component of the global safety nets.”

At EU level, minimum income schemes are compared through the Open Method of Coordination for social inclusion and social protection, but are not the subject of legislation. Currently, all EU member states have minimum income schemes, apart from Italy, Greece and Hungary. In most other countries, minimum income must be claimed, and is related to household composition.

In the course of partner meetings, the increasing link between minimum income and ‘activation’ schemes and other forms of conditionality has been noted in most member states, and there is also an active debate on the implications of minimum income schemes both for ‘making work pay’ and for global competitiveness.

A study by quoted in the Irish paperⁱ, defines a Minimum Income Standard as:

‘an adequacy benchmark or standard is a set of criteria for evaluating the adequacy of income levels for achieving a specific minimal level of living and which is embodied in a formal administrative instrument’.

It identifies three requirements of a minimum income system:

- Public acceptability – (understood and broadly accepted in society)
- Methodological defensibility (methods of calculation consistent, robust and reliable)

ⁱ Veit-Wilson, J (1998), *Setting adequacy standards. How Governments define minimum incomes*, Bristol: The Policy Press

- Operational feasibility (efficient and workable, not determined by affordability or work incentive effects)

It goes on to say that adequacy can be related to:

- Basic living costs
- Administrative criteria like tax thresholds, minimum wages etc.
- Socially defined living standards
- Labour market earnings

2. Some information on national level minima from the national roundtables

Minimum income has been a central political demand of the partners (NGOs) in both Bulgaria and Norway, possibly the partner countries with the poorest and richest economies. In Bulgaria, the removal of the minimum income guarantee has contributed to a drastic fall in income, a rise in absolute poverty and malnutrition and a fall in wage levels. In Norway, the Welfare Alliance sees an adequate minimum income, which does not exist at present, as a route to eradicate poverty.

In both countries, the partners see the resistance as both economic and ideological, with low benefit levels seen as essential to ‘making work pay’ and keeping down wages and labour costs. Neither emphasises the cost to the exchequer as a major factor. In Bulgaria, the opposition to minimum income is attributed to IMF and World Bank pressure, while in Norway it is ‘home-grown’. In both countries, the number of ‘working poor’ has risen in recent years.

In all countries, the vital and complex relationship between minimum income and minimum wages is recognised and needs to be explored in depth (though not in this brief paper!). In Finland, the right to minimum income security is guaranteed by the constitution in times of unemployment, illness, incapacity for work and old age, as well as the birth of a child and the loss of a provider.

In Ireland and Finland, while different levels apply to different benefits, there is a common ‘floor’, referred to in the Finnish paper as ‘universal patching’. In Ireland, the guaranteed minimum level of the lowest social welfare payments has been developed through political decisions after negotiations in national partnership agreements, which include social NGOs. It is implicitly, though not explicitly, linked to average industrial earnings.

Belgian law guarantees a minimum income. This was the subject of a peer review seminar in the context of the Social inclusion OMC in November 2005. This provides a useful set of papers (at www.peer-review-social-inclusion.net) to describe the system, critique it and discuss its transferability to other EU countries.

The question of what items should be in a ‘basket’ of necessities to avoid poverty was discussed in detail in both Bulgaria and Flanders. In the Bulgarian case, food and malnutrition were central. This also featured in the Belgian/Flemish case, but adequate power, communications, clothes, insurance and leisure were also seen as essentials to participate in society.

3. Some ideas on EU minimum income:

Some possible dichotomies in a debate on minimum income thresholds, emerging in the national papers, could be:

- Legally enforced versus ‘targeted’ or coordinated’, systems
- Absolute (across the EU) versus national standards
- Arbitrary (based on political decisions or national consensus) versus scientific (calculated according to an agreed formula)

- Minimal (survival level) versus minimum required to play a full part in society
- Unconditional ‘safety-net’ versus conditional (on labour market activation, etc.)
- Family versus individual measures
- Minimalist (to guarantee survival) versus minimalist (to re-distribute wealth)
- Monetary versus ‘quality of life’ (including access to services, living environment, work conditions etc.)

Many of these have been answered in different ways in national and regional minimum income schemes. In addition, the debate needs to be located in a context of an overall vision of economic and social progress, including the impact on quality of life, social cohesion, employment and competitiveness. To simplify this debate, it might be useful to consider the advantages and disadvantages of some possible approaches to setting minimum income standards at EU level.

Such ‘packages’ of options could include the following, which are not mutually exclusive:

(A) Single minimum income across the EU

Setting a single minimum income level across the EU (€X) is not plausible because of the enormous differences in income between member states (and future member states). The existing minima in some states is already higher than the average income in others. Such an approach functions in Germany, with some flexibility, but involves major transfers of resources from richer to poorer laander and, arguably, a loss of competitiveness in the poorer laander. In addition, a naively applied minimum could ‘drag down’ standards in the richer countries.

It could be possible, however, for the EU to measure and set targets to eliminate absolute levels of poverty, just as the UN has at World level (in the Millennium Development Goals). It can be argued that, in a single integrated economy there is an absolute level below which no human being should fall. In practice, the Open Method of Co-ordination could be used to monitor the proportion of people in each country falling below an absolute poverty line (or a number of poverty lines) and to set targets, backed structural funds, variations in the Maastricht criteria or other approaches, to reduce these numbers.

It is worth remembering that many costly EU standards, such as water or air quality, pollution controls, production standards, food safety, heath and safety regimes etc. are applied in an absolute way (after transitional periods) in rich and poor member states alike.

B Minima dependent on economic levels or to national incomes

It could be possible to imagine a system centred on a scale of monetary minima, calculated in a mathematical way in each member state, in relation to average income, Gross National Income and/or some other variables. To apply such a scheme would require modelling of the economic effects, but this is likely to be the most politically (that is publicly) acceptable and relatively painless approach. It has the advantage of reducing the incentive for member states to attract investment through reducing social spending, and therefore taxation.

C Relating minimum income to a ‘basket of essentials’ (goods and services)

The idea of a ‘basket’ approach is referred to in most national reports, and promoted strongly in the Bulgarian report. Minimum income could be set in terms of the resources needed to access a ‘basket’ of essential goods, services, etc..

Such an approach has the merit of taking into account the variations in purchasing power and prices, including the effects of price changes which are often related, as the Bulgarian paper points out, to the process of European (and global) economic integration. It is also to some degree sensitive to differences in access and affordability of services – the amount

needed to live will be affected by whether or not people have to pay for adequate health-care, child-care, accommodation etc.

A basket approach can take either an absolute form (a series of 'fixed measures' set at survival and higher thresholds) or a relative approach, adapted to the standard of living deemed acceptable in each country or even region. The Bulgarian study provides arguments for an 'absolute survival' level of indicators/standards. As an example of the more subjective approach, in Ireland the 'consistent poverty indicators' in the 1997 National Anti Poverty Strategy were derived from a series of studies of what are considered to be 'poverty levels' and are to be revised as society changes. In this case, they are used for setting poverty reduction.

The work done by the European Foundation for the improvement of Living and Working Conditions on quality of life indices could provide some basis for this.

Acknowledgements

These papers are drawn from the two reports written by Observatoire Social européen, the country reports prepared for the national and regional seminars and other material developed as part of the project. All the reports can be found on the website www.eapn.ie/policy/standards

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