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ABSTRACT

Keywords:

Which initiatives should be prioritised in an effective ‘roadmap for delivery’ of the European Pillar of Social Rights (EPSR), based on how well they complement existing EU instruments? My answer to the question debated [in this forum](#) is that a well-conceived notion of minimum incomes *sensu lato* (i.e. principle 14 on minimum incomes combined with principle 6 on adequate minimum wages, principle 12 on social protection and principle 13 on unemployment benefits) is the right place to start.

The failures of harmonisation and convergence and the new ‘principles- and rights-based’ approach

The EPSR marks a potentially important paradigm shift in European social policy making: given there has now been some *harmonisation* of policy instruments and *convergence* on broadly stated objectives, it has been proposed that the focus should shift to *principles and social rights* to be pursued on behalf of European citizens. Until the 1980s harmonisation of social security was the leading concern of those interested in the social dimension of Europe. However as national systems evolved and became more complex and as the Union grew larger, and therefore more diverse, it slowly dawned that harmonisation was neither possible nor desirable. Gradually, the ambition to develop common policy instruments was replaced with an ambition to develop common policy objectives. This new approach left it to Member States to decide which policy instruments and strategies to deploy, based on their own needs and preferences. **In other words, social Europe was to be shaped by different national policies, all directed at common European objectives:** a shift from governance of ‘inputs’ to governance of ‘outcomes’.

A number of common social objectives were agreed, with a view to supporting the convergence process, these included the eradication of poverty. **A loose, open approach to policy was developed and a set of social indicators was defined for the purpose of measuring the progress made towards the social objectives** (Atkinson et al., 2002). Subsequently, the bold but vague strategic social policy goal of ‘eradication of poverty’ set out in the **Lisbon Strategy** was replaced by the more concrete Europe 2020 targets: a reduction of 20 million in the number of persons living in poverty, jobless households or material deprivation. Regrettably, however, this approach has failed to make real progress, at national or European level (Cantillon, Goedemé & Hills, 2019).

The ethical program of the Union should be guided by the principle that everyone is entitled to an adequate minimum income. The time has come to proclaim that a European compact on minimum incomes is not only possible and, desirable, but actually necessary.

There are several reasons for the lack of success of the convergence strategy: the design failures in the architecture of the Eurozone, the non-binding method of coordination and the fact that the objectives were defined at too abstract a level. Changes in rates of poverty and social exclusion also depend on factors that national policymakers have little or no control over: poverty is dependent on, amongst other things, employment and the adequacy of social protection, but also on external factors such as the proportion of households that are single-parent families. In other words, **the distance between ‘outcomes’ and ‘policy input’ is too great.** Only with highly sophisticated simulation models it is possible to isolate the effects of policy from other changes in society (for an example of such an exercise see Hills et.al., 2019).

The shift from outcome convergence to a principles- and rights-based approach should be welcomed. The EPSR is potentially more powerful than harmonisation of overly divergent policy instruments or attempts at convergence on overly vague objectives. The 20 principles are well distributed across the broader categories of ‘Equal opportunities and access to the labour market’, ‘Fair working conditions’ and ‘Social protection and inclusion’ and are more specific than the convergence objectives, whilst still leaving room for a large range of national policy packages. They can, therefore, be used to move gradually from outcome-driven governance to nuanced input-driven governance without falling into a ‘one-fits-all’ approach. Nevertheless, the failures of previous rights-based approaches should make us pause for thought. For example the struggle over the European Social Charter in the 1980s was mainly about principles and symbols and the mountain laboured only to bring forth a mouse. **So, how can the Pillar be used to lever the establishment of a European Social Union (ESU)?**

As previous contributors to this debate have said, not everything in the Pillar is equally important. To be successful, we need to focus on the essentials and build on previous initiatives and existing foundations. The rollout of the EPSR must be instrumental to national welfare states and to Europe as a whole, it should be based on strong moral principles and it

should gain the support of citizens. It must start from the full exploitation of motivational and actualisation potentials but, where appropriate, it should ultimately lead to binding agreements on the essential points.

Taking these assumptions as a starting point, I see 10 multifaceted arguments for the contention that the rollout should begin with implementation of principle 14 – “*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. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market*”.

Normative, functional, political and pragmatic arguments for prioritising minimum incomes

1. Catering for the most vulnerable should be the ESU's priority

Since the adoption of the Lisbon Strategy poverty reduction has been one of the European Union's main social goals, yet progress has been disappointing in most EU Member States, to say the least (Cantillon & Vandenbroucke, 2014, Cantillon, Goedemé, Hills, 2019). Poverty has reached extremely high levels amongst the families who are most dependent on social protection. **In the large majority of countries both in-work and out-of-work income protection are insufficient to prevent poverty. The situation is worrying, especially in the poorest EU Member States**, where minimum incomes are too low to allow households to afford both adequate housing and adequate food, even if they were spent exclusively on these items (Goedemé et al., 2019). The discrepancies between the living standards of those at the bottom and top of the economic strata are enormous.

The persistent and almost universal slow progress on poverty and the inadequacy of the social safety net point to the need for collective action, whilst the discrepancies within the EU and the severe deteriorations in the crisis-hit Southern European countries suggest that pan-European solidarity mechanisms are needed.

2. Employment and social investment strategies, however important, are not sufficient to reduce poverty. Providing low-paid workers and jobless households with adequate income is essential. Employment objectives are now firmly anchored in European and national social policy, so equivalent European embedding of the minimum income guarantee is also required.

Effective anti-poverty policies have to be embedded in a broad set of social, employment and economic policy objectives, at both EU and Member State level.

Anti-poverty policies should be conceived in broad terms, with reference not only to minimum incomes, social assistance and access to essential services but also to policies that will deliver accessible health care, adequate minimum wages, childcare, housing etc. In other words, effective anti-poverty strategies must deliver on the broad range of principles on which the EPSR is built. Given the importance of earned income to most people of working age, and that in nearly all countries people relying on social assistance benefit would be below the national poverty line, employment and unemployment levels are of obvious importance. But increasing employment rates is not sufficient to reduce poverty. **There are several reasons why increased employment does not necessarily translate into lower poverty rates.** These include the growth of in-work poverty, which is the result of low wages and in-work benefits or tax credits that are not sufficient to lift people out of poverty; the 'inefficient allocation' of employment, i.e. the phenomenon whereby additional employment hours go to households that already have paid workers, rather than to poor, low work-intensity households; and inadequate social protection. [As Hemerijck has argued](#), “[a] social investment approach tilts the welfare balance to social risk prevention rather than compensation”, but tackling all three of these factors must be an important part of any strategy to reduce poverty – *although it will entail dealing with conflicts*. Economic and employment objectives are now firmly anchored in European and national policies. An equivalent European embedding of the minimum income guarantee is therefore required.

3. *Adequate social safety nets are an important element of social security for the growing number of platform workers, self-employed and flexible workers.*

The social pillar rightly places a great deal of emphasis on social protection for platform workers and for the self-employed. But how can employment flexibility be retained whilst also guaranteeing adequate social protection to all, regardless of employment status? How can adequate unemployment benefits be guaranteed under a regime based on contributions and eligibility rules? [Matsaganis has outlined](#) a possible strategy: make health care, child care and other social services universal; introduce or strengthen basic income schemes for children and for the elderly; make contributory schemes more actuarially fair; rethink means-tested income support (housing benefits, minimum incomes) to take into account earnings volatility; step up efforts to obtain accurate information about earnings in the gig economy. Clearly, an adequate social safety net is a precondition for the success of such strategies.

4. *The European Union has a role to play in guaranteeing minimum incomes, not only in policing commitments and agreements, but also as a facilitator of national and regional policies. The ESU must create the conditions needed to secure and enhance the social safety net offered by national welfare states.*

Since the 1980s there have been forces at work that make it more difficult for individual nations to fight poverty successfully: the declining wage share, the decoupling of productivity from wages, the increasing flexibility of employment and the sluggish growth in low wages have all put pressure on social protection systems. As a consequence, anti-poverty strategies have become more costly and more complex; not only are they financially expensive, they need to take into consideration the architecture of the welfare state as a whole – the drivers of rising income inequality, the availability of jobs for the low-skilled, the pressures on low wages, the adequacy of incentives to work and the progressivity of taxes and social spending. At current resource levels almost every European country would need to carry out *additional* redistribution in order to raise minimum incomes to the poverty line (Collado et.al. 2019). **Because all countries in Europe (and beyond) face similar challenges, it is necessary to join forces in order to create the conditions necessary to success** (e.g. the inclusion of wealth in the distribution process and implementation of legislation on adequate minimum wages). This is not only necessary for the poorer countries to catch up, but also for the maintenance and improvement of the most developed welfare states in Europe. This argument can be linked to Hemerijck’s concept of a ‘*holding environment*’ and [Vandenbroucke’s definition of the ESU](#) as “a Social Union [that] would support national welfare states on a systemic level in some of their critical functions and guide the substantive development of national welfare states, via general social standards and objectives, leaving ways and means of social policy to the Member States.”

5. *Minimum standards for wages, social assistance and social insurance are a necessary precondition of pan-European solidarity. Compacts on minimum incomes are needed to support the functioning of the social funds and to make proposals for European unemployment insurance a reality.*

Solutions for the design failures in the architecture of the Eurozone is that monetary unions need *ex ante* solidarity mechanisms, in the form of insurance mechanisms or redistribution. Frank Vandenbroucke’s idea that there is a need for unemployment insurance has gained prominence in the European Commission’s thinking. The Commission’s ESF + initiative is intended to increase redistribution, which raises the

issue of the creation of a level playing field. Member States must make sufficient efforts at national level to protect the unemployed and the poor; a social re-insurance mechanism could be layered on top of existing national safety nets. A fair operation of the Fund for European Aid to the most deprived (FEAD), for example, assumes minimum efforts by the jurisdictions to which the receiving charitable organisations belong. Compacts on minimum incomes are also the first step towards implementation of proposals for a European unemployment (re-)insurance system. [In his contribution to this debate Anton Hemerijck correctly notes](#) that “If such an EMU social re-insurance mechanism could be layered on top of existing national safety nets, all the participating member countries would – in theory – be more [sic] protected and thus better able to bounce back and recover in the aftermath of a sizeable asymmetric economic crisis.”

- 6. Ensuring adequate minimum incomes is essential to the success of the EPSR itself. The principles on which the Pillar is built are strongly connected and the right to an adequate minimum income is essential, normatively and instrumentally. Appropriate levels of social investment and social mobility, equal opportunities, effective social protection and affordable services presuppose adequate minimum income protection and vice versa.*

My final functional argument concerns the success of the EPSR itself. The principles on which the EPSR is built and the policies needed to deliver on them are closely related. In some cases they are mutually reinforcing, in others there are clear tensions and trade-offs must be made (e.g. providing adequate social protection for the unemployed must be balanced against the need to ‘make work pay’). **Hence delivering more effective social rights for all European citizens requires a comprehensive approach and multiple country-specific policy packages that balance the various conflicting objectives.** In this complex policy field, the right to adequate minimum incomes is fundamental, normatively and instrumentally. Appropriate levels of social investment and social mobility, equal opportunities, effective social protection and affordable services presuppose adequate minimum income protection and vice versa.

- 7. Having an adequate and secure income is a major concern for many European citizens and this is not going to change. Guaranteeing all European citizens a basic level of income security would increase the legitimacy of the EU among citizens.*
- 8. A compact on minimum incomes presupposes pan-European solidarity because the poorest countries will have to make the greatest efforts to fulfil the promise of*

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adequate incomes. So conceived, enforceable agreements on minimum incomes for all Europeans are not only a necessary condition for making pan-European solidarity possible (see argument 5), they are also a lever to strengthen pan-European solidarity, for example through intensifying the social funds.

Maurizio Ferrera (2018) put forward a free-standing political argument for a move to a ESU:

“Citizens must feel that the territorial government abides by the general norm of representing in some way the collective interest and takes care of all sectors/strata of the population, however weak and peripheral”. He also reminded us that opinion surveys have found strong support for “a larger EU budget aimed at promoting economic and social investments, for helping people in severe poverty and for providing financial help to member states experiencing a rise in unemployment”. **The previously mentioned political arguments for ensuring adequate minimum incomes in order to build the ‘support of the people belonging to the European jurisdiction [for]’ emerges from this line of reasoning:** ensuring “decent incomes for all” () would increase the legitimacy of the EU among citizens and help to strengthen pan-European solidarity.

9. *The conditions required for a major step towards the full exploitation of the potentials for guaranteeing adequate minimum incomes are present: existing national building blocks have been supplemented by the EU-2020 targets on social inclusion and social coordination and the ESF +.*

Like national welfare states, the creation of the ESU will be a gradual process, involving building on existing systems and devices. Ferrera rightly suggests that the required building blocks are already in place. This is particularly true in the case of minimum income protection. Since the introduction of social safety nets in Greece and Italy all countries in Europe have general social assistance systems, various social security minima and income supplements for low-paid workers. At the EU level these building blocks have been supplemented by the EU-2020 targets, social coordination and the ESF+, which is explicitly intended to promote social inclusion.

10. *The need for a minimum income guarantee has been a recurrent theme in Europe. Implementing principle 14 of the EPSR would fit well into the history of European ideology.*

In contrast to the US – where minimum income protection is limited to the sick, the disabled, the elderly and single mothers – general safety nets are in place in all EU-countries. This is an

important distinction between the European and the American social models.

The importance of having a minimum income guarantee has been a recurrent theme at EU level. The European Council, Parliament and NGOs have all highlighted the importance of minimum income protection for people who are not in work on numerous occasions (see, for instance, the **1992 Council's Recommendation** on “common criteria concerning sufficient resources and social assistance in social protection systems” (92/441/EEC; Council, 1992). However, the ideas never went further than recommendations, proposals and resolutions. With its **New Social Agenda 2005-2010**, the European Commission put the issue of national minimum income schemes back on the agenda, as part of the discourse on the need for ‘active inclusion’. The notion of a minimum income guarantee is central to the Commission’s recommendation of 3 October 2008 for ensuring the active inclusion of people excluded from the labour market. In its **Resolution of 6 October 2010 the European Parliament** went one step further, stressing that “minimum income schemes should be embedded in a strategic approach towards social integration” and adding that “adequate minimum income schemes must set minimum incomes at a level equivalent to at least 60% of median income in the Member State concerned”. The **Resolution of the European Parliament on the European Pillar of Social Rights** highlights “the importance of adequate minimum income schemes for maintaining human dignity and combating poverty and social exclusion, as well as their role as a form of social investment in enabling people to participate in society, and to undertake training and/or look for work” and recommends “the establishment of wage floors in the form of a national minimum wage”.

By building on existing national institutions and pan-European ideas and initiatives Europe could make the slogan “*Decent Incomes for All*” a principle to be proud of.

How to get there?

[In his contribution Ferrera \(2018\) reminded us](#) that “while ... enforcement is what makes rights (and, by extension, citizenship) ‘hard’, in contemporary liberal-democratic societies we should not underestimate the importance of the other two types: normative and especially instrumental resources.” There is scope for further development and improvement of these resources along the following lines.

First, in order to make the normative argument more tangible, I propose the development of reference budgets, i.e. illustrative priced baskets of goods and services that represent the minimum required for ‘adequate social participation’ in each country.

Second, a modest shift from ‘output governance’ to ‘input governance’ can strengthen the instrumental resources. To avoid violating the principle of social subsidiarity – which should be cherished – indicators of minimum income protection *sensu lato* – including net minimum wages, social insurance and social assistance – should be added to the poverty outcome indicators used in the monitoring process of the European Semester. Incorporating a set of well thought-out policy indicators would strengthen European social governance and help to link commonly defined goals with the practical policies and instruments to meet these goals, as well as highlighting the difficult trade-offs involved. There has already been some shift in approach to monitoring thanks to the introduction of so-called benchmarking frameworks.

Third, in order to give more bite to the notion of social coordination an EU framework for minimum incomes, based on the 2008 Active Inclusion Recommendation and the EPSR, should be put in place, not only to guide the work of national governments, but also to rebalance the legal asymmetry between economic and social standards. An EU framework directive for a well-conceived notion of adequate minimum income protection may generate upward pressure – not only on minimum rights to social security and social assistance, but also on the quality of work for people at the bottom of the income distribution – and pressure to deliver equal opportunities and social mobility. It could lead to the strengthening of the relevant Open Coordination processes and make them more robust. Moreover, in times of budgetary austerity, having an EU-wide concept of what constitutes an adequate minimum income would signal to Member States and European citizens that the most vulnerable must not become the victims of austerity. It would also be a lever that could be used to strengthen pan-European solidarity, for example through increasing the resources of the social funds. As already noted, any such scheme – however modest its initial ambition – would require enhanced budgetary contributions from wealthy Member States to support some of the poorer Member States in Eastern and Southern Europe, hence it inevitably raises the question of pan-European solidarity.

The ethical program of the Union should be guided by the principle that everyone is entitled to an adequate minimum income. Of course many questions remain to be solved, what, for example, constitutes an ‘adequate minimum income’ in the context of the diversity of living standards between and within Member States? What form should supportive pan-European solidarity take? What sort of timeline should we envisage and what provisions should be made for enforcing minimum income guarantees? Nevertheless, the time has come to proclaim that a European compact on minimum incomes is not only possible and, desirable, but actually necessary.

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