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## The case for a basic citizenship income

### Report<sup>1</sup>

Committee on Social Affairs, Health and Sustainable Development

Rapporteur: Ms Nunzia CATALFO, Italy, Members not belonging to a Political Group

### Summary

With poverty and increasing inequalities persistently undermining human dignity, most European countries are struggling to ensure a decent standard of living for all. Basic, or citizenship, income is a form of social security that can provide each citizen with a regular sum of money to live on. Defined as universal, individual, unconditional and sufficient to ensure living in dignity and participation in society, it would help relieve absolute poverty whilst removing disincentives to work. It could supplement earnings for those engaged in non-standard forms of work and job-sharing, and the underemployed.

Introducing a basic income could guarantee equal opportunities for all more effectively than the existing patchwork of social benefits, services and programmes. However, given the practical difficulties of such a radical change in social policy, an in-depth debate is necessary in each country to determine the modalities for such a permanently guaranteed income and the ways of funding it as part of a new social contract between citizens and the State. The report therefore puts forward a series of recommendations to member States, inviting them to study the past and present initiatives of field-testing basic income at all levels and enhance support to vulnerable categories of the population

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1. Reference to committee: [Doc. 13424](#), Reference 4034 of 7 April 2014.



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## A. Draft resolution<sup>2</sup>

1. Modern Europe has built impressive prosperity through development centred on human needs and rights. Its social model is now under strain following changes in economic structures, the nature of work and demographic profiles, with poverty and increasing inequalities undermining human dignity ever more. European States must shoulder their reform responsibilities so that present and future generations can continue to enjoy decent living conditions and adequate social protection. It is in this context that the case for a basic, or so-called citizenship, income has been put forward in the public debate.

2. The Parliamentary Assembly considers that a decent standard of living for all is a cornerstone of social justice and human dignity. Whereas most European countries have put in place income support mechanisms to guarantee a strict minimum for the needy, nearly all of them have been asked to improve their systems in response to criticism from the European Committee of Social Rights. The latter has repeatedly highlighted faults in the *de facto* commitment of States Parties to the European Social Charter to ensure a decent standard of living for all sections of their population, including the more vulnerable groups (such as children, young people and the elderly, the unemployed and the working poor, and disabled people and sick people).

3. Basic, or citizenship, income is a form of social security that can provide each citizen with a regular sum of money to live on: it is “paid by a political community to all its members on an individual basis, without means test or work requirements” [Van Parijs]. Defined as universal, individual, unconditional and sufficient to ensure living in dignity and participation in society, a basic income would relieve absolute poverty whilst removing disincentives to work (as it is not withdrawn when the person earns other revenue). Moreover, it would supplement earnings for those engaged in non-standard forms of work and job-sharing, those who are underemployed or those in unpaid work (such as caring for children or elderly and sick people in one’s family).

4. The Assembly believes that introducing a basic income could guarantee equal opportunity for all more effectively than the existing patchwork of social benefits, services and programmes. However, the Assembly is fully aware of the practical difficulties of such a radical change in social policy. An in-depth debate is necessary in each country to determine the modalities for such a permanently guaranteed income and the ways of funding it as part of a new social contract between citizens and the State.

5. As a matter of priority, the Assembly urges Council of Europe member States to improve the adequacy of their existing minimum income schemes and to ensure in particular that national reference baskets of goods and services cover individuals’ full participation in society. Where appropriate, countries could also consider adopting the “at-risk-of poverty or social exclusion” indicator (AROPE) used by the European Union institutions.

6. Considering that a possible introduction of a basic income requires intermediary steps to make it affordable through bold revisions in national social protection and taxation systems, the Assembly recommends that the member States:

- 6.1. study the past and present initiatives of field-testing different formulas of basic income at local, regional or national level;
- 6.2. enhance support to the vulnerable categories of the population by:
  - 6.2.1. proceeding with the consolidation of existing income support schemes and a critical review of tax levels, breaks and credits so as to identify positive transfers;
  - 6.2.2. streamlining the existing social support systems in order to remove inefficiencies, gaps and overlaps;
  - 6.2.3. expanding efforts to curb tax evasion and avoidance by multinational enterprises and wealthy individuals and reallocating funds thus recuperated to social policy priorities;
- 6.3. where appropriate, re-examine their income support schemes in the light of the conclusions of the European Committee of Social Rights;
- 6.4. involve all social partners in the process of setting a national benchmark on a minimum subsistence level that enables every citizen to have an income above the poverty line;
- 6.5. carry out an impact assessment of national minimum income schemes and consider further steps to improve them;

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2. Draft resolution adopted by the committee on 6 December 2017.

- 6.6. enhance the coverage and take-up of existing minimum income schemes by:
  - 6.6.1. ensuring that young people over the age of 18 who seek to live on their own have access to minimum income support;
  - 6.6.2. reducing administrative hurdles and eliminating discrimination and arbitrariness in granting income support on a national and local scale;
  - 6.6.3. regularly reviewing national minimum income schemes with a view to making them more simple, cost-effective, transparent, efficiently managed and better co-ordinated with employment services and integration agencies;
  - 6.6.4. separating social work and the granting of income support from control and oversight functions;
  - 6.6.5. increasing flexibility and eliminating punitive conditionality in examining requests for income support;
  - 6.6.6. improving information systems on entitlements and expanding field work for active outreach towards potential recipients of income support among the most fragile categories of the population;
- 6.7. pursue social dialogue and explanatory work with the population on the risks and opportunities inherent in the adoption of basic income;
- 6.8. strengthen income support schemes and other measures of active social inclusion, notably pro-employment policies and quality public services;
- 6.9. stimulate a national public debate on a basic citizenship income in order to prepare the ground for and launch national experiments on a basic income.

## B. Explanatory memorandum by Ms Nunzia Catalfo, rapporteur

### 1. Introduction: a minimum living income as a means of protecting human dignity and autonomy

1. Poverty and social deprivation are affecting ever more Europeans in both richer and poorer countries. Everyone may be faced with material difficulties due to “accidents of life”, such as unemployment, illness, injury, disability, family problems and other harmful events. These in turn can lead to a dramatic fall in standard of living, social exclusion and even extreme forms of poverty, including hunger, homelessness and countless mental and physical problems for the persons concerned. Through the domino effect, entire families are affected, in particular children. With the economic crisis haunting Europe, social needs are growing, but the public response is often deficient.

2. Today, about 120 million Europeans are threatened by poverty and social exclusion,<sup>3</sup> of which 25 million are children. About 50 million people now live in households in which no-one is in employment; another 40 million people are struggling with material difficulties on a daily basis, and over 4 million are homeless. The elderly and young people are relatively more affected than the rest of the population. With the human dignity and autonomy of all these millions so sorely affected, European society as a whole risks becoming sick.

3. Yet the right to social security has been established as an essential human right for decades. It aims to ensure that everyone, regardless of age or ability to work, has access to the means necessary to cover basic needs and services. This right is protected by the United Nations Universal Declaration of Human Rights (Article 22), the International Covenant on Economic, Social and Cultural Rights (Article 9) and the Convention on the Rights of the Child (Article 26). Achieving social protection for all is also at the heart of the International Labour Organization’s (ILO) mission and features prominently in the European Social Charter, as well as in the European Convention on Social Security (ETS No. 78). All these instruments emphasise the gradual expansion of a social security net as a key factor of social progress, human development and the fight against poverty. An efficient and effective social protection system will support social stability and justice, as well as economic development – for the benefit of all.

4. The Parliamentary Assembly has on numerous occasions stressed the growing malaise in European society over increased job insecurity, the lack of quality employment prospects and of fair access to public health services, as well as the resurgence of child labour and poverty in Europe. It is not surprising that democracy and our system of shared values are eroding as a result, with extremism of all kinds on the rise. This report therefore seeks to draw the attention of policy makers to the need to seriously reconsider our approach to guaranteeing a minimum living income (means-tested) to our population, so that nobody gets excluded, humiliated or marginalised. Ultimately, such an income could be transformed into an unconditional citizenship income, mostly referred to as a basic income.

5. I believe we should look carefully at the existing proposals for Social Protection Floors (as recommended by the ILO in 2012) and minimum income models (as advocated by the European Parliament in 2010), examine other similar schemes and good practice already in existence, as well as various initiatives underway, with a view to making specific proposals to Council of Europe member States. In so doing, we should reflect collectively on what is feasible, necessary and applicable across all Europe in terms of improved social protection cover for all, while at the same time tackling effectively the problems of intra-European social dumping and “social benefits tourism”.

### 2. Fighting the stigma of poverty and social exclusion

6. Across most of Europe, economic development is stagnant, and even more dynamic countries are experiencing “jobless growth”. Unemployment rates are typically above 10%, peaking at close to 27% in Greece, 24% in Spain and even 29% in “the former Yugoslav Republic of Macedonia”. Meanwhile, the most dangerous type of frost – long-term unemployment – affects on average 5% of the population. Among those lucky enough to have a job, some 45 million people have a disposable income below the risk-of-poverty threshold.<sup>4</sup> The young generation is particularly concerned and increasingly disadvantaged.<sup>5</sup> Moreover, children are at greater risk of poverty or social exclusion than the rest of the population in most European Union member States.

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3. See [Doc. 13424](#), motion for a resolution on the need for a citizenship income.

4. According to the EUROSTAT database.

5. See Assembly [Resolution 1885 \(2012\)](#) “The young generation sacrificed: social, economic and political implications of the financial crisis”.

7. Overall, a quarter of the EU population is at risk of poverty and social exclusion (when measured at the level below 60% of national median income, or living in severe material deprivation or in a household with very low work intensity).<sup>6</sup> They are struggling to make ends meet because housing costs together with electricity and heating bills absorb over half of their total disposable household income. For example, about 43% of Bulgarians, 28% of Romanians, 26% of Hungarians and 24% of Latvians face severe material deprivation, with children affected in even greater proportions. Outside the European Union, in countries such as the Russian Federation, some 11% of the population live below the minimum subsistence level.

8. Not surprisingly, inequalities are growing across Europe. For 2012, the Gini Index,<sup>7</sup> which measures the degree of inequalities in the distribution of income in a country, showed that income inequalities in the European Union were at an average level of 30.6. The highest rates of inequalities were recorded in Georgia (40, in 2014), Russia (42), Turkey (40), Greece (37), Bulgaria, Portugal and Spain (36). The related risk-of-poverty circumstances vary greatly across countries, depending on gender, age, social origins, nationality and the household structure.

9. Moreover, the sprawl of new technologies has a strong lasting impact on the world of work and the way our society functions. Today human labour is systematically eliminated from the production process, with the traditional patterns of work evolving in almost all industrialised nations of the world. Information technologies are deployed in a wide range of activities and intelligent machines are replacing humans in endless tasks. This destroys more jobs than it creates, both in the private and public sectors, and forces millions of workers and employees to desperately look for alternative employment, re-skilling and other sources of revenue. According to the latest study on the future of work by the World Economic Forum, more than five million jobs will disappear in the 15 most industrialised countries by 2030.<sup>8</sup>

10. Given current employment patterns and insufficient income support schemes (conditional, means-tested, or low on average), the introduction of a minimum living income is essential in my view for preserving human dignity and improving the situation of millions of Europeans. It would help overcome open and hidden poverty for those most in need, would grant social freedom to each individual to determine his or her own life and would strengthen the participation of all in society. It would also help ensure that the shared values we defend and the human rights instruments we cherish are not just hollow promises.

### 3. Major concepts and initiatives: what is the state of play?

11. A brief glimpse into modern history shows the contours of three periods when discussion about basic income was particularly intense. The proposals for a genuinely unconditional and universal basic income in a form of “social dividend”, “State bonus” and “national dividend” were first developed before the Second World War in the United Kingdom. Later on, these ideas were rediscovered and gained considerable popularity in debates about “demogrants” and “negative income tax” schemes during the 1960s and 70s in the United States. A new wave of concepts emerged as basic income proposals were actively discussed in north-western Europe from the late 1970s and early 1980s.<sup>9</sup> Today, the basic income concept is again gaining support, with experts, institutions and civil society organisations bringing the issue back to the table.

#### 3.1. The notion of unconditional basic income: in theory and in reality

12. Basic, or citizenship, income is a form of social security that regularly provides each citizen with a sum of money to live on: it is “income paid by a political community to all its members on an individual basis, without means test or work requirements”.<sup>10</sup> It is hence defined by four criteria: it is universal, individual, unconditional and sufficient to ensure living in dignity and participation in society.<sup>11</sup> “Universal” here means that every person, irrespective of age, descent, place of residence and profession should be entitled to

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6. [http://ec.europa.eu/eurostat/statistics-explained/index.php/People\\_at\\_risk\\_of\\_poverty\\_or\\_social\\_exclusion](http://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion) for explanations, definitions and figures.

7. The more unequal a country’s income distribution, the higher its Gini Index. If income were distributed with perfect equality, the index would be zero; if income were distributed with perfect inequality, the index would be 100. Source: the World Bank

8. World Economic Forum, The future of jobs: employment, skills and workforce strategy for the fourth industrial revolution, January 2016.

9. Yannick Vanderborght and Van Parijs Philippe, L’allocation universelle, Paris, *La Découverte* (2005).

10. Definition proposed by Philippe Van Parijs. See “Basic income: a simple and powerful idea for the twenty-first century”, *Politics & Society*, 2004.

11. European Citizens' Initiative for an Unconditional Basic Income. See the text of the initiative “Unconditional Basic Income (UBI) – Exploring a pathway towards emancipatory welfare conditions in the EU”: <http://basicincome2013.eu/>.

receive this allocation. “Individual” because every woman, every man and every child has the right to a basic income on an individual basis, and definitely not on a couple or household basis; it is not linked to marital status, cohabitation or household configuration, or to the income or property of other household or family members. This is the only way to protect the liberty of individuals to make own decisions.

13. The “unconditional” aspect of basic income is regarded as a human right which should not depend on any preconditions, whether an obligation to take paid employment, to be involved in community service, or to behave according to traditional gender roles. Nor should it be subject to other sources of revenue, savings or property limits.

14. Finally, “sufficient” basic income refers to the need to ensure living in dignity and participation in society: the allocation should provide for a decent standard of living, including social and cultural needs, in the country concerned. It should prevent material poverty and be above the poverty-risk level according to EU standards, which corresponds to 60% of the national median net equivalent income. In some countries, where the majority of the population has a low income and therefore median income is low, an alternative benchmark such as a reference basket of goods could be used to determine the level of basic income that guarantees a life in dignity, material security and full participation in society.

15. Under these four conditions, a basic income aims to relieve poverty by ensuring sufficient minimum revenue for all individuals and without destroying incentives to work (as it is not withdrawn when the individual earns other revenue). It aims to provide a universal supplement to earnings, which is needed to ensure full employment, notably in countries that have no minimum wage provisions or where the minimum wage level is well below the poverty level.<sup>12</sup> Many, as the discussions in the Social Affairs Committee have shown, argue against the introduction of basic income because they consider that it would be too costly, is utopian and would create a massive disincentive to work. However, there are plenty of counterarguments to support the concept of a basic income:

- the replacement of various social benefits by the single basic income would significantly simplify the procedure for receiving benefits and would reduce the bureaucratic burden;
- unlike food and housing benefits, the basic income is likely to be spent on a wider range of local goods and services, which would support national producers and the economy. It would stimulate the economic growth by increasing the aggregate demand as the recent experience in Brazil (notably thanks to “*Bolsa Familia*”) shows;
- basic income would cover basic needs, but would not suffice for a comfortable day-to-day life. Thus, it would stimulate individuals to seek to improve their financial situation and to earn more so as to elevate their living standards and pursue ambitious professional goals;
- currently, the labour market is not rewarding many full-time workers with decent living wages. With the basic income, employees would not depend on their jobs to survive and could invest more in their skills in order to earn more, to start a small business or switch careers; this means the real freedom to pursue the realisation of personal well-being;
- the introduction of the basic income would decrease income inequality, as everyone would receive the same amount of income from the State.

16. Worldwide, various countries have experimented with some forms of basic income, such as in the United States, Namibia, Iran, Brazil, India<sup>13</sup> and Canada. For instance, the “Alaska [Permanent Fund] Dividend” has been paid to Alaskan residents since 1982 by a State-owned corporation based on a certain share of oil revenue accumulated in a fund through annual deposits and re-investment. It is unconditional (payable to everyone who has lived in the State for one year and makes an application), immensely popular and very significant for poorer people, as well as helping Alaska maintain one of the lowest poverty and income inequality rates in the United States.<sup>14</sup>

17. Another major experiment with basic income – Mincome – lasted from 1974 to 1979 in the Canadian town of Dauphin (Manitoba province), ending only because the conservative government took over the reins. Over five years, every resident received a monthly unconditional cheque (equal to 60% of the country’s low-income threshold, but 50 cents were deducted for each dollar earned from other sources) and poverty was

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12. *Full Employment Regained?*, James Edward Meade, Cambridge University Press, 1995.

13. In India, UNICEF funded a pilot project that provided a basic income to adults in eight villages of Madhya Pradesh province, which helped empower local women and stimulated small-scale investment, such as the creation of new businesses.

14. Annual individual payouts reached US\$1 884 in 2014.

completely wiped out. A thorough study of this experiment by an economist at the University of Manitoba<sup>15</sup> also revealed valuable gains for public health, for example in terms of fewer hospitalisations and mental health-related problems, and greater involvement of the population in educational activities. Another pilot study was launched in April 2017 by the provincial government of Ontario.

18. In Europe, scepticism about basic income prevails; for example, Swiss voters rejected the idea of introducing an unconditional income of 2 500 Swiss Francs per month in a referendum in 2013, and then again in 2016. This being said, there are also new initiatives popping up in Finland, France and the Netherlands. In 2017-2018, about 12 Dutch municipalities should be testing several types of basic income schemes for its welfare recipients. Monthly payments would range from €800 per adult to €1 300 per couple or family and each group of recipients would be subject to different levels of rules or obligations for seeking paid work. However, the present design of the project is a far cry from the original proposal whereby initiators sought to challenge the view that those who receive public money payouts should be policed and controlled.<sup>16</sup> More ambitious designs of the basic income experiment might now come up after the parliamentary elections in the Netherlands in March 2017.

19. Moreover, outside Europe, several privately funded basic income pilot schemes are also foreseen to start in 2017. They include those of the Silicon Valley enterprise Y Combinator (in Oakland, California) and the charities such as GiveDirectly (working with Kenyan villages) and Eight (targeting a village in Uganda).

### *3.1.1. From words to deeds: the Finnish basic income experiment*

20. In Finland, the centre-right government proposed, and the parliament adopted, in mid-December 2016, a law on the creation of a basic income targeted at about 2 000 randomly selected unemployed people who receive basic unemployment insurance benefits.<sup>17</sup> A field-test launched in January 2017 should last for two years and be assessed in 2019. Thanks to a fact-finding visit hosted by the Finnish Parliament on 8 November 2016, I was able to gain precious insights into this project.

21. According to the plans, participants of 25 to 58 years old (students and pensioners are excluded) shall receive a tax-free sum of €560 a month instead of their basic unemployment benefit. If their earlier unemployment benefit was higher than €560, they would receive top-ups in compensation. Moreover, other benefits they may have been paid and the corresponding taxation would remain intact, and the basic income payment would stay in place if they find a job, thus encouraging more Finns to take work on a part-time, temporary or free-lance basis.

22. Although the original aim is to simplify “the overly complex benefit system” and make it “better correspond with the changes in working life”,<sup>18</sup> it was decided not to experiment several levels of basic income. This is because the country’s constitutional set-up insists on equal treatment and would have disqualified any measures that lower the level of social protection for the selected population, deeming them discriminatory. The political consideration of the legal package on basic income was therefore bound to make plans compatible with the national Constitution and international human rights commitments from the very start.

23. For the purposes of the experiment, a basic income is defined as “an income unconditionally paid to all on an individual basis, without means test or work requirement”.<sup>19</sup> Although various political parties and other stakeholders have different models and expectations in mind, they are generally supportive of a basic income, but with mixed engagement and commitment.

24. The major criticism of the current project concerns the limited size and scope of the target group, tight timetable and perceived drawbacks in the financing approach, as well as the lack of attention to health and well-being impacts. If implemented as it currently stands in favour of all the working-age population, the Finnish project would cost about 11 billion euros, which is more than a fifth of the national budget (53 billion euros). Without accompanying measures to balance it out by streamlining overall social expenditure of the State, the experiment might end as a short-lived trial. Many from around Europe and beyond will be watching and learning from the Finnish case.

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15. “The town with no poverty”, Evelyn L. Forget, University of Manitoba, February 2011.

16. See article “A Dutch city is giving money away to test the “basic income theory”, Maria Sanchez Diez: <http://qz.com/#437088/utrecht-will-give-money-for-free-to-its-citizens-will-it-make-them-lazier/>.

17. Except those also getting earnings-related benefits.

18. Kela (Social Insurance Institution of Finland)/FPA, Working papers 106/2016 “From idea to experiment. Report on universal basic income experiment in Finland”.

19. This definition stems from the Basic Income Earth Network (BIEN).

25. In this context, it is worth also recalling that, in autumn 2014, the European Committee of Social Rights concluded – under the collective complaints procedure – that Finland had violated several articles of the European Social Charter concerning adequate social security and assistance, notably with regard to protection against absolute poverty.<sup>20</sup>

### 3.1.2. And the French experiment: could it be more ambitious than the Finnish project?

26. In the last few years, basic income has featured prominently in political discussions in France. It is no longer seen as a fantasy or utopia, and the French Senate approved at the end of 2016, a trial that will enable two regions to test “safety net” measures, covering between 20 000 and 30 000 people in need. Various recommendations for this experiment are set out in the synthesis note made available to the committee members.<sup>21</sup> As Senator Daniel Percheron, the author of the information report on “Basic income in France: from utopia to experimentation”, explained during the exchange of views with the committee on 25 January 2017, in France a basic, or citizenship income, was often referred to as a “universal income” and was deemed to be a means for the State to ensure a decent existence to all its citizens.

27. The issue is increasingly being raised in the political discussions in the country, together with other possible measures aimed at improving minimum income schemes and protecting more effectively against poverty. Introducing a basic income would require a major change of mentality with regard to the relationship to work and wealth creation, as well as bold adjustments in the overall social security system so as to ensure adequate financing. A basic income was not to be seen as a way of eliminating work, but rather as a means of encouraging it on a more flexible basis.

28. Different formulas were chosen for experiments in Finland and the Netherlands; they all sought to eliminate absolute poverty. In France, existing minimum social benefits could be consolidated into a single basic income payment by streamlining the existing safety net, simplifying access to rights and adapting taxation. “French-style” basic income proposals seek to explore several formulas over three years at least so as to draw meaningful lessons, with a focus on the young people and seniors (18-25 and 50-65 year olds). A separate proposal targets farmers who are among the most vulnerable workers in France: in recognition of their special efforts to safeguard the environment and ensure food security, they could receive more ample support through “green payments” under the Common Agricultural Policy.<sup>22</sup>

### 3.2. Minimum income for decent living – with strings attached

29. In contrast with unconditional payouts, many European countries have introduced some sort of means-tested minimum income schemes aimed at tackling poverty and social exclusion. According to the European Minimum Income Network,<sup>23</sup> minimum income schemes are defined as “income support schemes which provide a safety net for those who cannot work or access a decent job and are not eligible for social security payments or whose entitlements have expired”. Minimum income (sometimes called guaranteed minimum income) is also defined as income support that guarantees to all individuals sufficient means to live on, provided they meet certain conditions (such as means-testing and, often, availability to work or to contribute to community services). It is usually set at the level of a social subsistence minimum below the minimum wage so as not to be viewed as a disincentive to work, and can be paid to top-up insufficient resources (for example, disability or old-age pensions, student grants, child allowance or too small and irregular revenues from work, notably in countries with a very low minimum wage).

30. These schemes vary greatly in structure, the size of payouts and coverage, depending on economic climate, labour market conditions and the estimated minimum subsistence level in each country. It is more and more common to ask the recipients of such income support to prove their willingness to participate in the labour market or to perform community services. In 1988, France was one of the first countries to implement a minimum income scheme called the *Revenu minimum d'insertion* (RMI) which became *Revenu de solidarité active* (RSA) in 2009. The latter notably sought to encourage employment by providing low-wage workers with a complementary income.<sup>24</sup>

20. Complaint No. 88/2012 by the Finnish Society of Social Rights v. Finland; the decision on the merits was adopted on 9 September 2014.

21. Information document [AS/Soc/Inf \(2017\) 01](#).

22. Source: MFRB (the French Movement for a Basic Income).

23. Synthesis report “Toward adequate and accessible Minimum Income Schemes in Europe”, January 2015, by the European Minimum Income Network, a project sponsored by the European Parliament and funded by the European Commission.

31. A similar arrangement in the United Kingdom is the Income Support system. To benefit from it, claimants must be older than 16 and under the State pension age, work fewer than 16 hours a week, have no substantial savings (less than £16 000) or have a reason for staying outside the labour market (e.g. on the grounds of illness, disability, caring for children or a sick person). On certain conditions, they may also be entitled to additional benefits for housing, health care or similar costs.<sup>25</sup> Other European countries – including Austria, Denmark, Finland, Germany, Iceland, Ireland, Liechtenstein, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland – have implemented comparable schemes. Among the EU countries, Bulgaria, Greece and Italy appear to have the most limited and piecemeal arrangements which restrict income support to very few categories of people in need.<sup>26</sup> Some countries, such as Estonia, Hungary, Ireland, Lithuania, the Netherlands, Sweden, Slovak Republic, Spain and the United Kingdom have recently restricted the eligibility and coverage of their minimum income schemes. The key problem is the efficiency of existing schemes in delivering support to the needy, as the trends in poverty and inequality show.

32. In the light of worsening social inequalities across Europe, the European Parliament endorsed, in 2008 and 2010, resolutions (2008/2034(INI) and 2010/2039(INI)) calling for a minimum income to be guaranteed by EU member States. While demanding that a threshold be set for receiving a minimum income, the parliamentarians explicitly asked that such schemes guarantee adequate living conditions by being set at a level equivalent to at least 60% of national median equalised income, i.e. above the European Union's at-risk-of poverty threshold. A further resolution on the European Platform against poverty and social exclusion (2011/2052(INI)) urged the European Commission to look at the possibility of launching a "legislative initiative concerning a sensible minimum income" in member States. The European Economic and Social Committee, in its opinion issued in December 2013<sup>27</sup> and transmitted to the main European Union's governing bodies, stressed "the urgent need to guarantee an adequate minimum income in the European Union under a framework directive" and called on the Commission "to undertake concerted action in response to the resolution adopted by the European Parliament in 2011". In response, the European Commission chose to simply point to the exclusive competence of member States in this matter.

33. The debate on a minimum income as a means of combating poverty and promoting social inclusion also raises the problem of the working poor. Although most European countries have provisions for minimum wages, these no longer shield working people from sinking into poverty. There is no common definition of a minimum European wage and, in the European Union, national minimum wages vary from €1.04 per hour in Bulgaria to €11.10 per hour in Luxembourg. Further disparities stem from arrangements setting minimum wages on the basis of sector-specific collective agreements.

34. The lack of convergence in the levels of minimum wages and poor enforcement of national contractual obligations mean that social dumping is increasingly widespread. As for minimum income, it is increasingly clear that minimum wages should be fixed at least at the level of 60% of the national average (wage) and above the poverty line for employment to be morally acceptable. In its [Resolution 1993 \(2014\)](#) on decent work for all, the Assembly called on member States to "secure a national living wage and social protection floors at a level that corresponds to domestic development needs". Living wage is defined as minimum resources required for a worker to meet his/her basic needs, such as food (including water), shelter and clothing, as well as sanitation, education and essential health care. It has been criticised, just as a minimum wage has been, for possibly destroying jobs.<sup>28</sup>

### 3.3. Social Protection Floors

35. To guarantee a decent living minimum for all, the ILO and other United Nations bodies advocate setting a Social Protection Floor which should be the first level of social protection at national level. Referring to a basic set of social rights, they demand the basic coverage for individual access to essential services and necessities for life in dignity (including adequate food, health care, education, housing, water and sanitation)

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24. In September 2016, the monthly RSA allocation was €535 for a single person without resources and housing support. One of the conditions to receive RSA is the requirement to have worked for at least two years over the preceding three calendar years. It is only available from 25 years of age and thus automatically excludes young people under 25 years. About one third of people eligible for RSA do not apply for it.

25. For more information: Income Support at <https://www.gov.uk/income-support/overview>.

26. H. Frazer and E. Marlier, "Minimum income schemes across EU member States", a 2009 synthesis report for the EU Network of National Independent Experts on Social Inclusion.

27. "European minimum income and poverty indicators", own-initiative opinion by the European Economic and Social Committee of 10 December 2013, SOC482; rapporteur Mr Dassis and co-rapporteur Mr Boland. Amongst other things, it calls for "reviewing the way member States calculate poverty levels and set their national targets".

28. See, for instance, the article "Large increase in the minimum wage could have severe long-term effects", *The Economist*, 25 July 2015.

through social transfers. This framework places governments as the central responsible actor for ensuring the right national mix of both unconditional and means-tested (or targeted) social benefits, as well as price subsidies for the essentials such as food, electricity, housing and key public services.

36. The Social Protection Floor proposal is mainly addressed to low- and middle-income countries, with the ILO insisting on the core guarantees of access to essential health care (including maternity care) and basic income security for children, working-age persons who are unable to earn sufficient income (for reason of sickness, unemployment, maternity or disability) and the elderly. Importantly, such guarantees should be provided to all residents who comprise both citizens and other persons living in a given country (such as temporary workers and immigrants). The same should, in my opinion, apply to the proposal I defend in favour of a guaranteed minimum income in European countries.

37. Crushed by austerity policies and often painful structural reforms, as well as facing the plight of growing numbers of their population in despair, southern European countries are struggling to improve the situation by providing a decent minimum for living to the neediest. However, even the more inclusive systems in other European countries typically leave young people who have not yet joined the labour market outside the system of social protection. As the Assembly noted in its [Resolution 1885 \(2012\)](#) on the young generation sacrificed, there are growing numbers of young people “not in employment, education or training” (so-called “NEETs”) who largely depend on family solidarity; it therefore called on member States to shoulder their responsibility to “ensure that first-time job-seekers have access to social benefits”. I believe that the European guaranteed minimum income schemes should help integrate such young people more fully into society, not least because this is a corollary obligation under Articles 13 and 14 of the European Social Charter.<sup>29</sup>

38. Overall, recent reforms in the field of social security, notably regarding pension systems (such as raising the retirement age), have led to the lengthening of working life, the blockage of generational turnover and a growing number of young Europeans facing difficulties in finding a job. In the European Union, 21.4% of young people between 16 to 24 years of age were unemployed at the end of 2014, according to Eurostat data.

#### 4. Making a minimum living income a reality in Europe

##### 4.1. Minimum living income – a vital long-term interest for society

39. When the committee discussed the challenge of guaranteeing a minimum living income in Europe with Mr Fintan Farrell, representative of the European Anti-Poverty Network (EAPN),<sup>30</sup> it was clear that a general consensus on the matter was still to be built. Massive advocacy is necessary to convince policy makers of the need for the progressive realisation of adequate and accessible minimum income schemes at both national and European levels. The gradual convergence of national provisions and a unified European model should be the ultimate goal. The task is huge, but not insurmountable. So why should we, politicians, bother?

40. First and foremost, increasing numbers of Europeans are exposed to precariousness and poverty. Social cohesion has been eroding not only during the recent financial crisis, but also for many years before it. The most authoritative global think-tanks, such as the Organisation for Economic Co-operation and Development (OECD)<sup>31</sup> and the International Monetary Fund (IMF),<sup>32</sup> castigate growing income inequality as a major reason holding back economic growth, social progress and sustainability. These are crucial development goals for society as a whole. From this angle, providing support for the poorest and the neediest makes a decisive contribution to overall and lasting prosperity. Similarly, minimum living wage provisions are crucial for tackling social dumping, ensuring decent living for all and providing the right incentives for work.

41. Secondly, the protection of the most vulnerable members of our society is also a moral duty. If the authorities fail to respond appropriately to their plight, then violence, instability, poverty and the shadow economy will trap more and more Europeans to the detriment of the long-term interests of the State and the rule of law. A civilised society with an advanced economy has enough means to underpin the human dignity of all its citizens and residents. This is one of the messages propelled to the forefront of the political scene by the

29. Article 13 notably specifies *inter alia* that for the effective exercise of the right to social and medical assistance the Parties have to “ensure that any person who is without adequate resources ... be granted adequate assistance [...and] care”.

30. Exchange of views held in Chisinau (Republic of Moldova) on 19 May 2015.

31. “In it together: why less inequality benefits all”, OECD report published on 21 May 2015.

32. *Causes and consequences of income inequality: a global perspective*, Era Dabla-Norris, Kalpana Kochhar, Nujin Suphaphiphat, Frantisek Ricka and Evridiki Tsounta, 15 June 2015, IMF Publications series.

rise of extremist political movements across Europe. Socio-economic rights, including the right to decent living and subsistence, are an integral part of human rights and are just as important as civil and political rights in this context.

42. As the data surveys show, current policies lack the strength to deliver on poverty reduction targets. Moreover, there is little evidence of progress in most European States towards improving the social protection systems and ensuring the adequacy of benefits, which are obligations under the European Social Charter. Austerity-centred crisis management only increased conditionality and reduced benefits. What is needed is a more balanced socio-economic policy with a rights-based focus where guaranteeing a minimum living income for all is a cornerstone. This would improve social justice and would consolidate current redistribution systems in the light of evolving circumstances.

43. Finally, research shows that adequate minimum income schemes benefit society's social goals just as much as economic ones. States with solid social welfare policies are more competitive and prosperous.<sup>33</sup> In relative terms, income support payments constitute a small percentage of the government's overall social spending, but they yield a high return on investment; the cost of non-investment impacts immediately and negatively on the persons concerned, with the long-term fallout escalating on society as a whole. Moreover, sound minimum income and wage schemes act as "economic stabilisers" in the most crisis-resilient countries and work as economic stimuli by boosting the real economy and consumption.<sup>34</sup> Relieving the needy people from the shame that accompanies poverty and giving them sufficient means to access opportunities will enable them to better use or improve their skills and participate in society more fully. The State must help people to help themselves.

#### **4.2. Drawing lessons from national experiences**

44. As we saw in the previous chapters, there is a great variety, much fragmentation and large disparities in current income support systems across Europe. These stem from a host of methodologies and reference indicators used to determine what constitutes a sufficient standard of living in a given country. So far, no country uses the "at-risk-of poverty or social exclusion" indicator (AROPE) agreed by the EU Council and now systematically employed by Eurostat, although Denmark has plans to use it in the future. Most countries usually refer to a subsistence minimum or level, absolute poverty thresholds or reference baskets, or budgets, as benchmarks. As a result, most existing minimum income schemes do not allow people to live in dignity, as the recent conclusions of the European Committee of Social Rights show.<sup>35</sup> The cost of living is slowly converging, but not the level of benefits and wages.

45. Although the European Union's AROPE indicator has a high political profile, its major shortcoming is the fact that it is built on data elements of the past, whereas the income needs of the poorest are situated in present time and are crying out for a solution. Moreover, in countries with high levels of income inequality (as measured by the Gini coefficient), such as in Turkey, Russia, the United Kingdom or Greece according to OECD studies, as well as Latvia, Italy, Bulgaria, Lithuania, Cyprus, Romania, Portugal, Spain, Serbia and "the former Yugoslav Republic of Macedonia" as per Eurostat data, any reference to the AROPE indicator would need to be complemented by other indicators on the quality of life for more accurate estimates on the desirable level of subsistence for decent living. Nevertheless, the use of the reference level corresponding to 60% of the national median net equivalent income (or wage) remains an appropriate yardstick to shield the population against poverty in many countries and could be gradually transposed into social policies at national level. This measure should help tackle the problem of adequacy of national income support systems.<sup>36</sup>

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33. Speech by the EU Commissioner László Andor during the seminar on "Improving minimum income support", April 2014, and the Bruegel Policy Brief on "Europe's social problem and its implications for economic growth", April 2014.

34. Synthesis report "Toward adequate and accessible Minimum Income Schemes in Europe", January 2015, by the European Minimum Income Network, a project sponsored by the European Parliament and funded by the European Commission.

35. In its conclusions for 2013- 2014 on non-conformities with the European Social Charter, the European Committee of Social Rights criticised many countries for their failure to ensure a decent standard of living for all (through minimum wages and social benefits): Andorra, Armenia, Austria, Azerbaijan, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Republic of Moldova, Montenegro, the Netherlands, Norway, Poland, Romania, the Russian Federation, Serbia, the Slovak Republic, Slovenia, Spain, Sweden, "the former Yugoslav Republic of Macedonia", Turkey, Ukraine and the United Kingdom. According to the ECSR, a minimum wage and social benefits should not fall below 50% of national median equalised income which is considered as an absolute poverty threshold (40% threshold is considered when certain public services are provided to the population free of charge or additional allowances are paid).

46. A further challenge is to ensure good coverage and take-up of improved income support schemes by the target population. Young people, undocumented migrants, disabled people and homeless people seem to face the largest difficulties in accessing such support. Research shows that coverage in individual countries is reduced through inadequate income thresholds, excessive means-testing, discretionary reallocation of resources to other purposes at local level and very tight eligibility conditions.

47. In addition to coverage problems, there is a serious issue of non-take-up of income support: a Eurofound working paper of 2014<sup>37</sup> reveals major gaps between entitlements (mainly income support) and their take-up – on average above 40% for half of the EU countries studied. Similarly, the EAPN research signals non-take-up rates ranging from 20% to 30% (e.g. in Portugal) to as much as 57% to 75% in Belgium and even up to 80% in some rural regions of Austria. These figures contrast with the estimates of fraud (deliberate over-take-up) which are generally much lower than for non-take-up, but they attract more attention from the media and politicians.

48. The reasons identified behind the non-take-up of income support rights show the following main areas for improvement: lack of communication by the social services on rights and entitlements (unknown and hence unclaimed), non-granting of entitlements due to administrative obstacles or arbitrary administrative decisions (pure red-tape) and discriminatory practices due to punitive conditionality (notably with regard to the Roma population or migrants). From a policy-making angle, what is often missing at national level to ensure adequate income support is good communication between employment services, integration agencies and social services.

49. My final comments here concern feasibility. Many opponents of minimum living income schemes talk about a hypothetical burden on the State finances. Yet they should all take a more critical look at national governance-taxation-and-redistribution nexus: millions of euros leak out from each country's budget because of inefficiencies, tax evasion, corruption, public under-investment in human capital or simply poor ranking of national development priorities. The introduction of basic income could replace many overlapping social benefits and simplify the often plethoric welfare systems that are highly vulnerable to fraud and error. Where relevant, States can draw on the solidarity and social cohesion funds of the European Union (such as the European Social Fund). Experts such as Philippe Van Parijs estimate that introducing a basic income at the level of 15% to 20% of gross domestic product (GDP) per capita is both realistic and affordable.

50. Moreover, there are proposals to establish a partial unconditional basic income called a Eurodividend (or a European Dividend) at the level of the eurozone and eventually the entire European Union. Such a Eurodividend would offer a modest income floor of up to €300 per month (possibly indexed higher in some countries) to all legal residents of the eurozone and later the European Union; it could be funded through a combination of levies such as a European VAT, a European corporate tax, a European carbon tax, a European tax on financial transactions, on luxury goods and a reallocation of some European funds. The public consultation recently launched by the European Commission on a European pillar of social rights should be seized as an opportunity to enhance the European Union's social ambition together with goals of poverty reduction, better integration of the internal market and the inevitable adjustments to labour policies.

## 5. Conclusions and recommendations: a way forward

51. A post-Second World War Europe has built impressive prosperity through development based on respect for human rights, democracy and the rule of law. Its social model was gradually consolidated around the consensus in favour of human dignity, solidarity and freedom, with the commitment of all social partners, in particular the State. Now that this model is cracking under the pressure of "free-market ideologies", sweeping changes in economic structures and demographic profiles, the State needs to shoulder its special reform responsibilities towards the population so that the present and future generations can continue to enjoy decent living conditions accompanied by due social protection.

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36. According to the European Minimum Income Network analysis, only Denmark and Iceland have a high level of adequacy (over 50% of median equalised income); Austria, Belgium, Ireland, Luxembourg, Lithuania, the Netherlands and "the former Yugoslav Republic of Macedonia" have a medium-high level of adequacy (40%-50%); Cyprus, Germany, Spain, Finland, France, Malta, Norway, Portugal and the United Kingdom have a medium-low level of adequacy (30%-40%); whereas the Czech Republic, Estonia, Hungary, Romania and Sweden are in the lower category (20%-30%) and Bulgaria, Latvia, Poland and the Slovak Republic are in the lowest category of adequacy (under 20%).

37. "Access to benefits", H. Dubois and A. Ludwinek, Eurofound working paper of October 2014.

52. A minimum living income is a cornerstone provision of a human-centred social system. It is indispensable in order to reverse the trend of widening inequalities and growth in poverty which undermine the human dignity of those most sorely affected and the social cohesion and stability of society as a whole. Whilst most European countries have put in place more or less generous income support mechanisms to guarantee a strict minimum for the needy, nearly all of them have to review and improve their systems in response to the recent conclusions of the European Committee of Social Rights. The latter has highlighted multiple shortcomings in the *de facto* commitment of States Parties to the European Social Charter, to ensure a decent standard of living for their population, including residents, migrants, minorities and all those with special needs (such as children, young people and the elderly, the unemployed and the working poor, and disabled people and sick people).

53. To counter social dumping and “social benefits tourism”, all European States have a common interest in gradually harmonising their social provisions. To this end, they need to consider using the same methodology and benchmark indicators for determining the level of entitlements that would enable those most in need to enjoy a decent standard of living. Countries could therefore make a better use of ‘at-risk-of poverty or social exclusion’ indicator (AROE) developed by the European Union. This corresponds to 60% of the national median net equivalised disposable income (after social transfers), an indicator which is used by several European institutions for reference together with markers on severe material deprivation<sup>38</sup> and on persons living in households with low work intensity.<sup>39</sup>

54. At the same time, a review of the relative poverty threshold has to be carried out in countries where the majority has low income (and therefore median income is low) so as to individually secure a decent standard of living and participation in society, as well as to check relative poverty (or risk of poverty) thresholds against their effectiveness to ensure sustained existence and access to fundamental rights. Where appropriate, an alternative benchmark (such as a basket of goods and services) should be used to determine the amount of the basic income that guarantees a life in dignity and autonomy. As proposed by the European Parliament on several occasions, it would be useful if the European Commission could develop a common method for determining a minimum income and a reference basket of goods and services. It could serve as a basis for national calculations and the consideration of an adequate basic income.

55. Moreover, Europeans have to persevere in improving the coverage and take-up of income support schemes by those most in need. They should consider these efforts as a moral duty and a social investment in the lasting prosperity and competitiveness of their countries.

56. Once the convergence of minimum living income provisions becomes more of a reality in Europe, countries could work together towards the adoption of a common European scheme and ultimately a more flexible basic, or citizenship, income mechanism. Let us make it our common long-term goal to aspire to a more inclusive and just society, united in dignity and shared values.

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38. Severe material deprivation is understood to mean the inability to pay for at least four items from the following list: rent, mortgage or utility bills; adequate heating; emergency expenditure; meat and protein food regularly; holidays; a TV set; a washing machine; a car; and a telephone.

39. According to Eurostat, the work intensity of a household is “the ratio of the total number of months that all working-age household members have worked during the income reference year and the total number of months the same household members theoretically could have worked in the same period”. A low work intensity threshold is set at 0.20 and below.