



**Minimum Income Protection during the COVID-19 pandemic and beyond:
Implementation of the European Pillar of Social Rights principle 14**
(September 2020)

This thematic discussion was organised together with the German Presidency of the Council of the European Union and took place during the SPC meeting on 14-15 September 2020. The discussion is part of the SPC thematic work supporting the implementation of the European Pillar of Social Rights. The SPC's policy conclusions will pave the way for further policy work in the area and would also be reflected in the next SPC Annual Report.

1. Overview of the policy area

Minimum income protection plays a key role in the social protection systems across Europe. It serves as a last-resort safety net for people with low income, regardless of their employment status. Benefits are non-contributory and usually granted following a means test. These are typically lower-tier benefits, i.e. become available once other earnings-replacement benefits (like unemployment insurance) have been exhausted or are not available, thus supporting the most vulnerable and mitigating poverty and social exclusion.

The crisis caused by the COVID-19 pandemic accentuates - even more than previous economic downturns - the significance of strong contributory social insurance systems and effective minimum income protection to cushion the socio-economic impact on households. Workers in non-standard employment, or with unstable employment histories who also tend to have limited access to social security, were affected disproportionately, as they are overrepresented in some of the most affected sectors (e.g. hospitality and tourism).

Principle 14 of the European Pillar of Social Rights stipulates that everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity and effective access to enabling goods and services.¹ With the reference on enabling aspects, the Pillar principle underscores the *active inclusion* approach of the 2008 Commission Recommendation².

¹ European Pillar of Social Rights, principle 14 for “everyone lacking sufficient resources to have 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.”

² Commission Recommendation on the active inclusion of people excluded from the labour market (2008/867/EC, 3 Oct 2008)

Today, all Member States have some form of minimum income protection scheme in place, but their designs vary greatly and significant challenges remain. Assessments made in the context of the 2020 European Semester highlight substantial differences in the adequacy and coverage of income support schemes, as well as in the availability of (financial) incentives to take up work, combined with access to social and activation services. In addition, the results of the dedicated benchmarking exercise³, conducted within the SPC, indicate an overall decline of the adequacy of minimum income support to households⁴. What is more, progress under the Europe 2020 poverty reduction target has been limited and significant challenges persist at the lower end of the income distribution⁵, indicating gaps in the adequacy and coverage of social safety nets, as well as in the capacity to bring minimum income recipients closer to the labour market.

The current socio-economic crisis caused by the COVID-19 pandemic is likely to exacerbate existing challenges and create additional ones that may require the adjustment of minimum income protection schemes, at least temporarily.

2. Thematic review findings

This SPC in-depth thematic discussion provided Member States with an opportunity to engage in multilateral exchange on policies and good practices related to minimum income protection, in particular during the period of the crisis, caused by the COVID-19 pandemic. The discussion was framed by a presentation from the OECD on key findings from their latest research on minimum income protection. The German presidency further presented the results of a survey on Member States responses to the COVID-19 pandemic in the area of minimum income protection.

In the discussion, a number of findings with regard to national policy approaches and common challenges emerged:

- Social protection systems (including minimum income protection) have played a key role for cushioning the socio-economic impact of the current crisis, caused by the COVID-19 outbreak. This emphasises the importance of strong contributory social insurance systems, complemented by effective minimum income protection for mitigating the risk of poverty and social exclusion in particular for the most vulnerable groups in this crisis and beyond.

³ The benchmarking framework on minimum income, developed within the Social Protection Committee covers the adequacy, coverage and activation components of minimum income schemes. It has been integrated in the European Semester and its results are reflected in the Joint Employment Report since 2019.

⁴ See 2020 Joint Employment Report

⁵ Income inequality remains at a higher level compared to the 2008 pre-crisis period. The share of people at risk of monetary poverty slightly increased and has remained broadly stable at around 17% of the population. For those who live in quasi jobless households, the at-risk-of-poverty rate has actually increased for a fifth consecutive year and remains persistently high (60%, but in some Member States even above 75%). The poverty gap (which measures how poor are the poor), and the persistency of poverty (which shows how likely is a person to stay poor) have shown an overall deterioration in the last decade. Further details are available in the forthcoming 2020 SPC Annual Report.

- Latest research suggests that significant differences remain in benefit levels and coverage of minimum income protection across the EU. Remaining coverage gaps appear to result from a combination of rules for eligibility, the implementation of such rules, as well as household circumstances and behaviour for example compliance with activation requirements.
- At the same time, the crisis poses challenges to minimum income schemes in almost all Member States, especially with regard to accessibility and eligibility.
- To address those challenges, Member States introduced a range of temporary measures to improve the access and coverage, and provide benefits more rapidly. These temporary actions focused on relaxing eligibility criteria, easing administrative procedures, or improving the benefit levels, providing additional in-kind benefits or enhancing services.
- It is likely that the social protection systems will be put under further pressure in the coming months (and beyond) due to the economic slowdown and rising unemployment levels. To prevent increasing poverty and raising inequality, further adjustments or even structural reforms might be needed in some Member States.

3. Policy recommendations

Based on Member States' experiences and research findings presented during the in-depth thematic discussion the following policy recommendations emerged:

- Reinforcing minimum income protection, e.g. by easing and extending access, adjusting benefit levels to loss of income, or providing targeted support will continue to play a vital role in Member States, in particular in light of the COVID-19 pandemic, which will continue to suppress economic activity, thus putting jobs and incomes into jeopardy, especially for the most vulnerable workers.
- Beyond the need to address the immediate challenges during the pandemic, the increased relevance of social protection might also provide an opportunity to address structural challenges. This might include further improvement of the effectiveness of minimum income protection in view of structural changes on the labour market such as the rise of non-standard employment. Strengthened minimum income protection would support the recovery and by having effective automatic stabilizers in place would make economies and societies more resilient to future crises.
- To strengthen the resilience of social protection schemes, a strong administrative infrastructure and effective activation services are of key importance. Adequate administrative capacity allows for rapid and flexible adjustment in times of crisis, while high quality activation services are crucial to help people to reintegrate in the labour market during the current crisis, as well as in the context of the green and digital transition.
- In order to facilitate upward convergence of national minimum income protection schemes, Principle 14 of the European Pillar of Social Rights, as well as relevant Council

and Commission recommendations within the European Semester lay down key principles and practical guidance for national reform efforts. The European Semester remains the governance framework for following those reforms at European level.

- Support available from EU funds, including the European Social Fund Plus and the Next Generation EU recovery plan is important for Member States to pursue reforms to strengthen minimum income protection also in times of crisis.
- Improving the evidence base for minimum income protection remains a prerequisite for the design of effective minimum income policies. Further work on the SPC's benchmarking framework on Minimum Income should be envisaged, as necessary.
- Mutual learning and exchange of best practices play a key role in developing better understanding of different national systems and in supporting upward convergence. Regular monitoring of these systems, including at the level of implementation, calls for involving and strengthening relevant bodies of execution. Work within the Minimum Income Network, established as part of SPC's peer learning activities, should continue and be strengthened.