

Background Paper 'Social Inclusion and the Implementation of the European Pillar of Social Rights'

Academic Support for the Belgian EU Presidency 2024

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Academic Support for the Belgian EU Presidency 2024

Background paper ‘Social inclusion and the implementation of the European Pillar of Social Rights’

21-02-2023

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Summary and recommendations

Reaching the three social inclusion targets of the European Pillar of Social Rights (EPSR) Action Plan — an employment rate of at least 78%, at least 60% of adults attending training courses every year and lifting 15 million people out at risk of poverty or social exclusion out of which at least 5 million should be children — **is the litmus test for the success of the EPSR**. To attain these goals all the principles and rights defined in the EPSR are involved. *Prima facie*, the EPSR puts forward a balance between employment, equal opportunities and social protection. Concerning employment, the EU level policies reiterated in the EPSR, including equal opportunities and active labour market policy, are nested in the social investment approach. Regarding fair working conditions, many novel or substantially updated legislative initiatives were launched, for instance relating to the work-life balance and minimum wages. **In the area of social protection and inclusion, however, although multiple principles highlight the importance of well-functioning, accessible and adequate social protection systems, initiatives mostly rely on soft law even if the social funds are relevant to consider.**

This contrasts with the empirical evidence on poverty trends in the past decades pointing to, on the one hand, qualified successes in terms of employment and gender equality but, on the other hand, not in terms of the reduction of the number of people at risk of poverty or social exclusion. **A significant employment growth and defeminization of poverty went along with a marked precarisation of low-skilled men and women.** Particularly striking is the rise in the risk of poverty among jobless households, which is at least in part, **linked with the weakening of the poverty-reducing capacity of social protection for these groups.**

It follows that without strengthening the framework for social inclusion and social protection, it will be difficult to meet the European social inclusion targets in the future. This implies the need for a:

1. **a stronger focus on the accessibility and adequacy of social protection and minimum incomes:** employment and gender equality objectives are now firmly anchored in the European social agenda; equivalent European embedding of social protection and minimum income guarantee is required.
2. **a “social inclusion proof” implementation of social investment initiatives in the domains of employment, gender and the work-life balance:** in implementing these strategies catering for the most vulnerable should be given priority. The implementation of **Distributional impact assessment** (the ‘DIA’)¹ is a useful tool in capturing the impact of policies for different income groups, including the most disadvantaged.
3. **the strengthening of the role of social funding** to: a) enable national policies, especially in poor countries, to *provide basic needs* (FEAD)², *finance temporary unemployment services* (SURE) and increase employability and job opportunities for lower skilled individuals (ESF); b)

¹ This a useful tool in capturing the impact of budgetary measures and other reforms and investments for different income groups, including the most disadvantaged. The Commission Communication of 28 September 2022 entitled ‘Better assessing the distributional impact of Member States’ policies’ [\(17\)](#) provides guidance to Member States on how best to embed the DIA in their policy-making processes.

² Fund for European Aid to the Most Deprived

support public awareness by organisations like FEANTSA³ and EAPN⁴ and c) add strength to political processes that may eventually lead to binding agreements on minimum standards in social protection.

More specifically, **concerning the Council Recommendation on adequate minimum income ensuring active inclusion**, we recommend to take further steps to move toward a **framework directive on minimum incomes** that would make the pivotal Principle 14 of EPSR enforceable by:

a) reinforcing the analytical work to define common benchmarks of adequacy and affordability;

b) strengthening a needs-based distribution of ESF+;

c) bringing FEAD into the monitoring process and

d) coordinating and broadening the scope of monitoring_ to include the interlinkages with the implementation of the Directive on minimum wages and the Recommendation on access to social protection for workers and the self-employed.

Concerning the WLBD⁵ and family policies we recommend:

a) adequate minimum floors and developing measures to enhance take-up of leave among lower income households suggested by the Matthew effects which are apparent in take-up of leave, even in countries with generous leave schemes;

b) free and high quality ECEC is potentially a stronger instrument for jobless households, but only if the services targeted at children are of high quality and easily accessible.

³ European Federation of National Organisations Working with the Homeless

⁴ European Anti-Poverty Network

⁵ Work Life Balance Directive

Introduction

In this background paper, we start from a dual position. Firstly, as powerfully articulated by Frank Vandebroucke, the EU needs to act as **European Social Union** by expanding its role to support national welfare states in their critical functions and to guide the substantive development of national welfare states (Vandebroucke et al., 2017). Secondly, for the European Social Union, **catering for the most vulnerable European citizens** must become the priority : since the adoption of the Lisbon Strategy poverty reduction has been one of the European Union's main social goals, yet, in most EU Member States, progress has been largely disappointing, especially among the working age populations.

In this context, the European Pillar of Social Rights (EPSR) may stand for a **threefold paradigm shift** regarding the normative-operational dimension of European social policy:

- 1) By defining concrete principles and social rights, it moves the social inclusion agenda from 'outcome governance' built around rather abstract social goals (such as the 'eradication of poverty') to a degree of 'input governance' through legislation and funding (Vandebroucke et al., 2013). The Directive on minimum wages and the Work Life Balance Directive are prominent examples of this dynamic.
- 2) It broadens the traditional focus on employment, gender and social investment, by putting forward a *prima facie* balance between employment, equal opportunities and social protection including adequate minimum income protection.
- 3) By referring to the European Social Fund + (ESF+) and Next Generation EU, the EPSR provides financial incentives as a lever of social convergence (Hermans et al., 2021).

The paper – that is meant to foster a debate involving policy-makers, stakeholders, and academics – will start from these three potential advancements in order to identify strategic elements for the Belgian Presidency policy agenda. As suggested by the Federal Public Service Social Security, the Belgian Presidency of the Council of the European Union (hereafter, 'the Belgian Presidency') will be an occasion to reinforce Member States' commitment to deliver on the European Pillar of Social Rights and influence the agenda of the next European Commission (from 2025 onwards). The 2024 Belgian Presidency will take place at a critical time for the EPSR, that is the year before the official assessment of the implementation of the Pillar's Action Plan (planned in 2025) and shortly before the appointment of a new Commission, that will establish its own political priorities, including in the social domain. Hence, the Belgian Presidency could contribute to both the assessment of the implementation of the EPSR so far and the definition of future actions, to address some of the shortcomings and to strengthen the commitment to 'upwards social convergence'.

We first provide an overview of the evolution of social inclusion in the EU, relying on the analysis of key indicators of the Social Scoreboard of the EPSR. The analysis of the causes of failures and successes in the past will allow for a preliminary identification of priority areas for action in order to achieve the overall objectives of the EPSR and the specific targets of its Action Plan. In the second part, we confront the results of the empirical analysis with the priorities that have so far been placed in the implementation of EPSR. In the subsequent parts three and four, focussing on the *Work Life Balance Directive (WLBD)* and the *Council Recommendation on adequate minimum income ensuring active inclusion* we discuss how to strengthen a 'social inclusion proof' implementation of the EPSR.

1. Disappointing poverty trends

Reaching the three social inclusion targets of the European Pillar of Social Rights (EPSR) Action Plan — an employment rate of at least 78%, at least 60% of adults attending training courses every year and lifting 15 million people out at risk of poverty or social exclusion — is the litmus test for the success of the EPSR. What lessons can we draw from past evolutions on the role of work, gender equality and social protection to achieve these goals? We focus on the pre-COVID-19 period. The trends during the pandemic were distinctive due to the particularity of the situation and governments reactions to this.

The empirical evidence on poverty trends in the past decades before the COVID-19 crisis points to qualified successes in terms of material deprivation, employment and gender equality, but not in terms of relative income poverty: a significant employment growth and defeminization of poverty went along with a marked precarisation of low-skilled men and women which was, at least in part, related to a weakening of social protection for these groups.

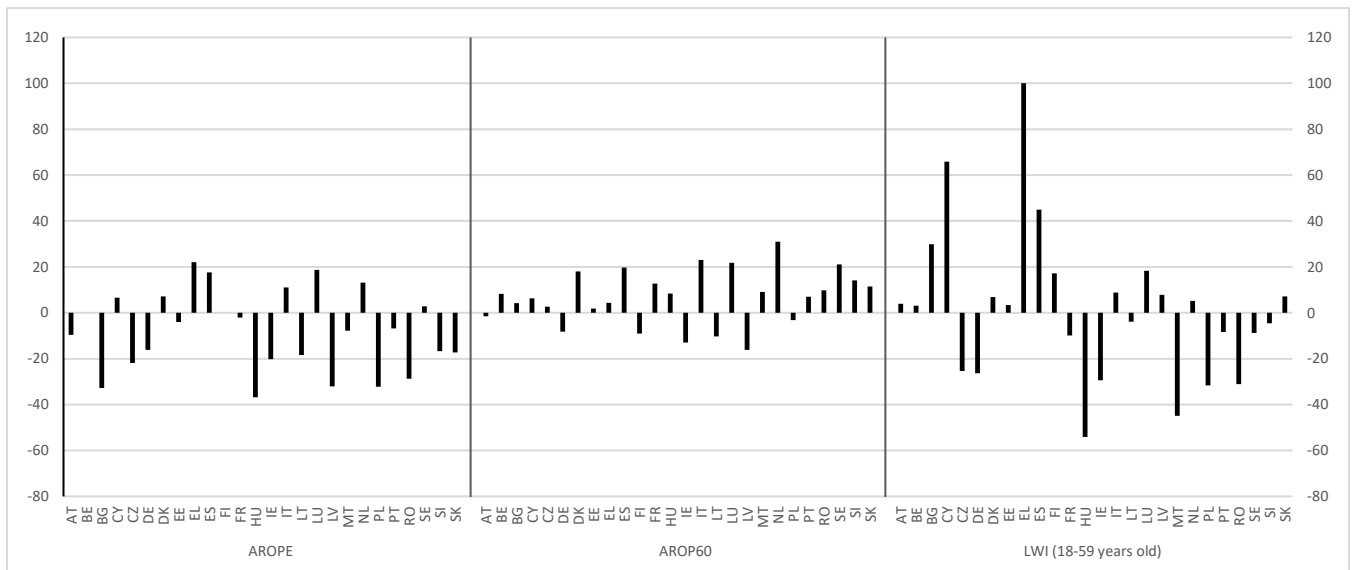
1.1 The EPSR targets

The European Pillar of Social Rights Action Plan sets the reduction of the number of people at risk of poverty and social exclusion with at least 15 million as key target to be achieved in 2030. The number of people at risk of poverty and social exclusion (AROPE) corresponds to the sum of persons who are either at risk of poverty (AROP), severely materially and socially deprived (SMSD) or living in a quasi-jobless household (QJH). AROP is defined as the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income after social transfers. SMSD measures the proportion of the population experiencing an enforced lack of at least 7 out of 13 necessary and desirable items to lead an adequate life while the 'low work intensity indicator' refers to those persons living in a household where the members of working-age worked a working time equal or less than 20% of their total potential during the previous year.

During the decade preceding the pandemic, among the working age population, the European statistical system shows improvements in a number of countries (most notably in Bulgaria, Hungary, Latvia, Poland and Romania). In Greece, Spain and Luxemburg the AROPE rate increased while the numbers remained stable in many others (e.g., Belgium, Finland and France). The few positive trends were mainly driven by decreases in the material deprivation indicator and, albeit to a lesser extent, in diminishing numbers of jobless households. As a general trend, AROP rates among the active age population have risen almost everywhere (exceptions are Austria, Germany, Finland, Ireland, Lithuania, Latvia and Poland see figure 1).

This is a less positive account of the evolution of the numbers than these of the Commission. Both the Joint Employment Report and the SPC reports reflect a more positive view on the pre-covid-evolutions. Differences are explained by the fact that our assessment a) relates to the working age population; b) is more focussed on the evolutions in individual member states (rather than the EU as a whole) and c) pays more attention to the changes in the different dimensions of the AROPE-indicator.

Figure 1, Percentage changes in the at-risk-of-poverty and social exclusion rate (AROE, AROP60, Low-work intensity Indicator) of the total population, 2009-2019, 18-64 years old



Source : Eurostat

(https://ec.europa.eu/eurostat/databrowser/view/ILC_PEPS01_custom_3980020/default/table?lang=en,
https://ec.europa.eu/eurostat/databrowser/view/ILC_LI02_custom_4157717/default/table?lang=en,
https://ec.europa.eu/eurostat/databrowser/view/ILC_LVHL11_custom_4218357/default/table?lang=en)

1.2 At-risk-of-poverty trends

While incomes and employment rates in 2019 were almost for all European countries higher than in 2009, in many countries, among the working-age population, the (persistent) at-risk-of poverty rates, the poverty gap and the AROP40 did not decrease, at best. Importantly, these disappointing trends in the decade leading up to the pandemic are a continuation of what was observed previously, ever since the Lisbon era (Cantillon and Vandenbroucke, 2014; Cantillon et al., 2019a; Fischer and Strauss, 2021). Considering the EU-wide level the increase in the employment rate, the drop in the jobless household rate and the decrease in severe material deprivation did hardly result in any improvement in the AROP⁶.

Trends were not unequivocal while levels of AROP rates vary significantly across Europe. At the eve of the pandemic, not only the AROP rates were higher than in 2009, also the number of people with persistent income deficits (the percentage of the population living in households where the equivalised disposable income was below the at-risk-of-poverty threshold for the current year and at least two out of the preceding three years) exceeded the levels prevailing during the financial crisis meaning that the measured increase in relative income poverty at one point in time was accompanied by an increase in the duration of income deficits. The poverty gap (the difference between the equivalent median net income of individuals below the poverty risk line and the poverty threshold) remained rather constant in almost all countries suggesting that in many European countries the growth of the number of income-poor individuals was not accompanied by a reduction of the income gap in this group. A more diffuse picture appears when the stricter 40% poverty standard is considered : numbers remained stable in some countries (Belgium, Germany, Austria, Cyprus, Lithuania, Slovenia), increased in others

⁶ Only in PL the drop in (Q)JHH 'resulted' in a drop in AROP.

(Luxemburg, Denmark, the Netherlands, Sweden, Greece, Spain, Italy, Hungary, Slovakia), and decreased in a limited number of countries (Finland, Czech Republic and Latvia). The course of the at-risk-of-poverty rates based on an anchored threshold (anchored to median incomes 2008) was rather stable in Continental and Nordic countries. It increased in most Southern countries and decreased in all Eastern countries suggesting that the overall increase in income was respectively stronger and weaker at the middle than at the bottom of the income distribution.

During the COVID-19 crisis, AROP trends in many countries were remarkably stable or even slightly declining, owing to the role of social protection as an automatic stabiliser – for properly functioning social security systems automatically respond to increasing needs related to economic shocks – and major additional efforts by welfare states to strengthen their social security systems as a response to the crisis (Marchal et al., 2021; Béland et al., 2021).

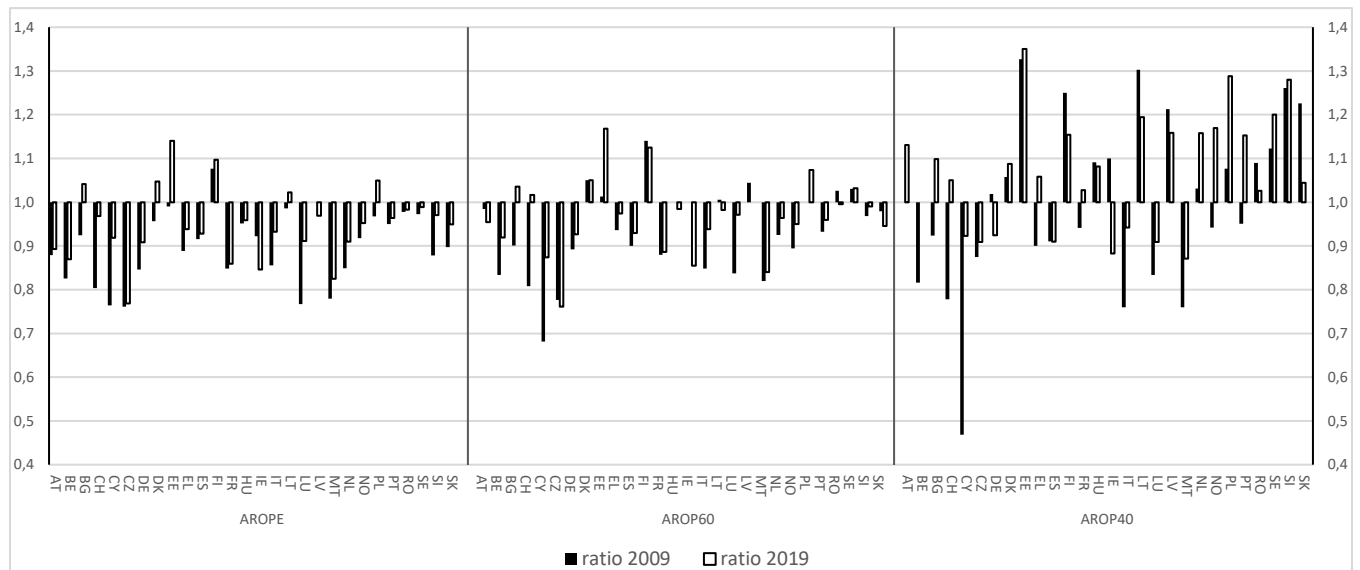
1.3 Defeminization of poverty

Focusing on the gender dimension of poverty, the evolution of the at-risk-of-poverty gender ratios between 2009 and 2019 points at a clear pattern of defeminization of poverty and social exclusion thus continuing the trends recorded since the beginning of the measurements. Strikingly, in some countries such as Sweden, the Netherlands, Poland and Denmark, on the low AROP40 indicator, men are more disadvantaged than women.⁷ As a general rule, the overall defeminization of poverty and social exclusion was accompanied by substantial increases of AROP among low-skilled adults which, in some countries, have been stronger for men than for women. The generality and persistence of these trends suggest a shift from the traditional gender divide to a new skill based dividing line (Akarcesme et al., 2022).

Figure 2 compares the 2009 vs. 2019 active age male to female AROPE ratios. It appears that in the majority of countries women are more at risk of poverty and social exclusion than men¹. However, the differences are usually not very large while there are some striking exceptions: in Finland, Poland, Denmark, Estonia, Latvia and Bulgaria men are more at risk than women. When we consider relative income poverty, taking the low poverty threshold set at 40% of national median equivalised disposable income as a benchmark, the right panel of figure 2 shows that in the majority of countries, the share of men at-risk-of-poverty is actually higher than the share of women. In most European countries the traditional disadvantage of women thus appears to have faded away. The evolution of the at-risk-of-poverty gender ratios between 2009 and 2019 points indeed at a clear pattern of defeminization of poverty and social exclusion. Strikingly, in some countries such as Sweden, the Netherlands, Poland and Denmark the relative disadvantage of men on the low AROP40 indicator has increased.

⁷ The explanatory memorandum of the Council Recommendation on adequate minimum incomes starts with this diagnosis : “Despite policies to combat poverty and improvements over the last decade, the risk of poverty or social exclusion affected over 95.4 million Europeans in 2021. In many Member States there has been an increase over the last decade in the poverty risk for people living in (quasi)jobless households, worsening in the depth and persistence of poverty and a decline in the impact of social transfers on poverty reduction.” (<https://data.consilium.europa.eu/doc/document/ST-12866-2022-INIT/en/pdf>)

Figure 2, Male/female ratios of at-risk-of-poverty and social exclusion rate (AROPE, AROP60, AROP40), 18-64 years old, 2009 and 2019.



Source : Eurostat

(https://ec.europa.eu/eurostat/databrowser/view/ILC_PEPS01_custom_2904122/default/table?lang=en,
https://ec.europa.eu/eurostat/databrowser/view/ILC_PEPS01_custom_2904122/default/table?lang=en)

1.4 The precarisation of jobless households and the role of social protection

Although there was great diversity in experiences across countries and across time, over the past two decades the increase of income⁸, employment and the defeminisation of working age income poverty was accompanied by significant increases of at-risk-of-poverty among jobless households (Cantillon and Vandenbroucke, 2014; Cantillon et al., 2019a; Gabos and Tomka, 2022). This was, at least in part (compositional changes also matter), related to a decrease of poverty reducing capacity of social transfers. Figures 3, 4 and 5 display the evolution of employment rates and the poverty reducing capacity of social transfers for both jobless (PRC jobless) and non-jobless households (PRC non jobless) between 2008 and 2020 (PRC total). Across Europe the trends in poverty reduction for jobless households are remarkably similar and in line with the trends previously observed before the financial crisis. The patterns of total poverty reduction (PRC total) vary widely across countries. What stands out, however, are the downward trends in a large number of countries of the poverty reducing capacity of social transfers for jobless households (PRC jobless households). Differences across countries are considerable while there are some exceptions on the general decreases. Within the group of continental and Scandinavian countries, Finland stands out: this country combined employment growth with a slight increase in the poverty reducing capacity of social transfers, including for jobless households. Within Southern European countries, Cyprus is the only exception to the general trend of rising employment rates and declining effectiveness of social protection for jobless households. Only in Greece did the poverty reduction capacity increase, but not for jobless households. Within the Eastern European countries, trends were more diversified although again the dominant trend was one of declining poverty reduction among jobless households. In the Czech Republic, Hungary and Romania

⁸ Between 2008-2019 there was also a considerable increase in (the national accounts based) gross household disposable income in 17 member states (it dropped only in 1-EL).

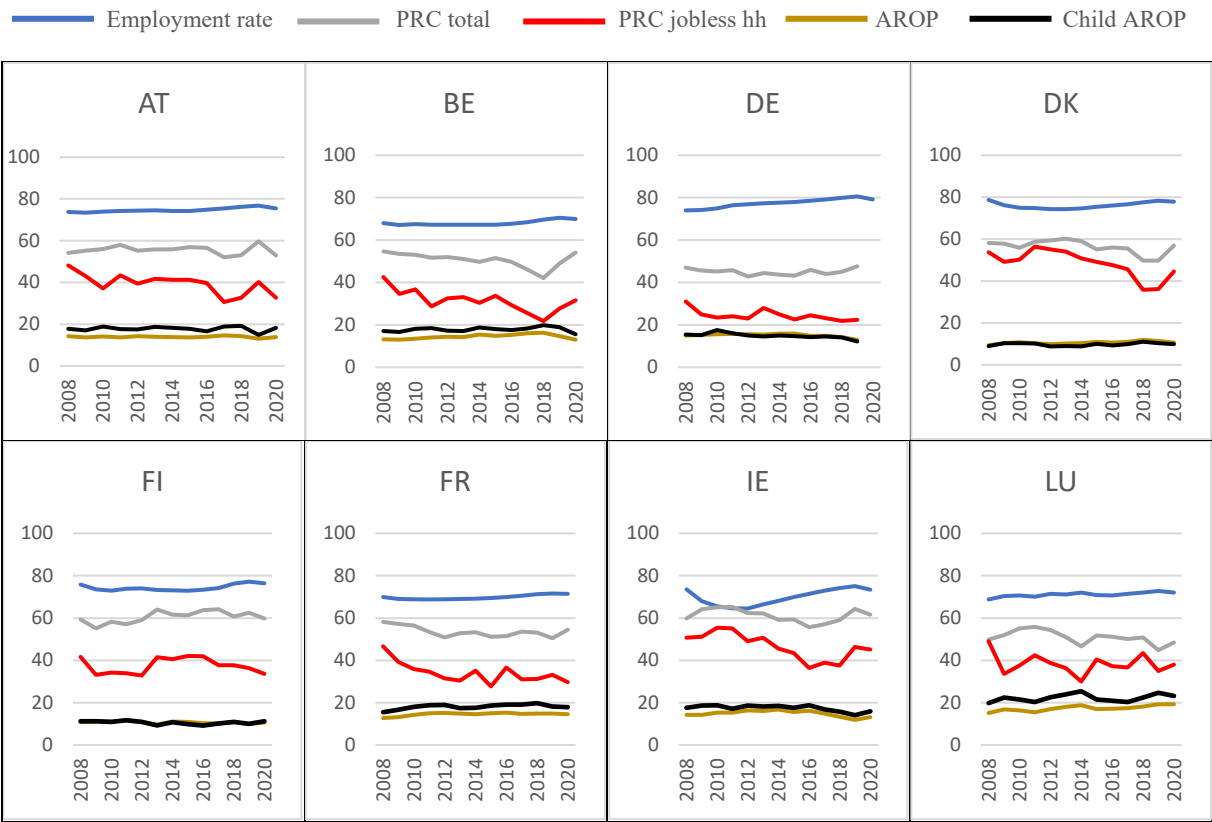
the increase in employment was accompanied by a decrease in the poverty reduction by social protection; in Estonia and Bulgaria the poverty reduction remained stable while in Lithuania, Poland, Slovenia and Slovakia the poverty reduction only weakened for jobless households.

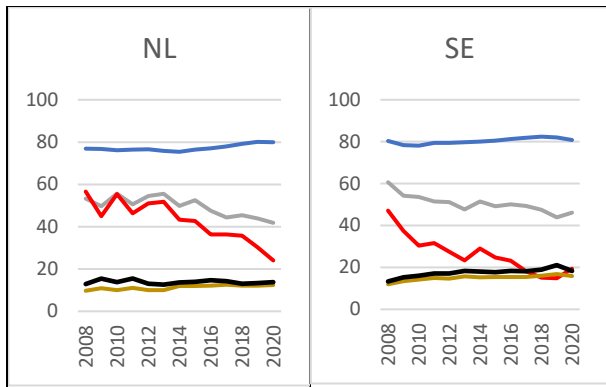
The poverty reducing capacity of social protection for European low skilled jobless households declined to extremely low levels: at the eve of the health crisis the percentage of jobless households lifted out of poverty by social benefits ranged between a very low 8,9% in Malta, 14,8% in Sweden and 46,3% in Ireland.

In terms of child at-risk-of poverty trends, figures 3, 4 and 5 show that children (0-17 years old) were – albeit to varying degrees - more at risk of poverty than persons aged less than 60 years in all countries except for Cyprus, Germany, Denmark, Finland and Slovenia where the poverty rate trends for both groups were relatively equal.

Estimates for 2021 by Eurostat suggest that the at-risk-of-poverty rate for the working population is expected to have decreased or remained stable in most countries. When it comes to trends between 2019 and 2020, Figures 3, 4 and 5 show that compared to 2019, the poverty reducing capacity of social transfers for the total population in 2020 increased or remained constant in the majority of countries pointing to the crucial role of social security as social stabilizer and the role of reinforcing policies.

Figure 3, Employment and poverty reducing capacity trends in the Continental and Nordic states (2008-2020)

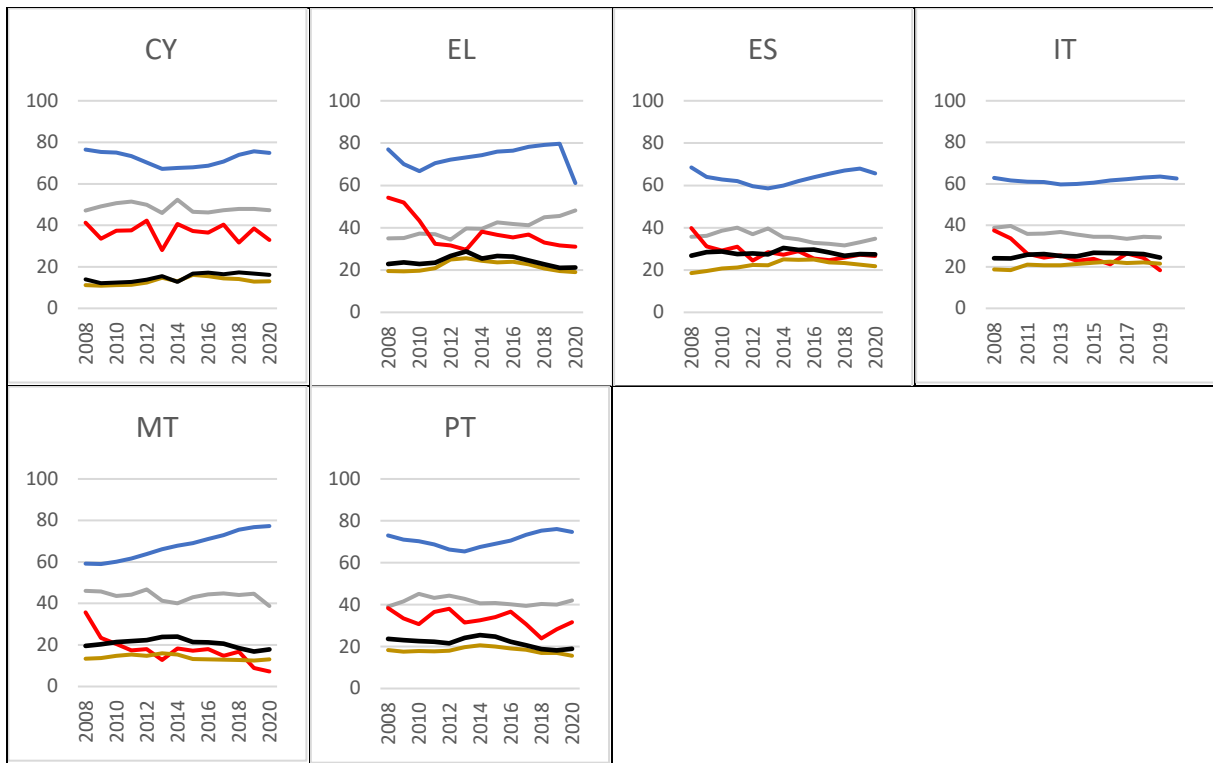




Source : EU-SILC (own calculations)

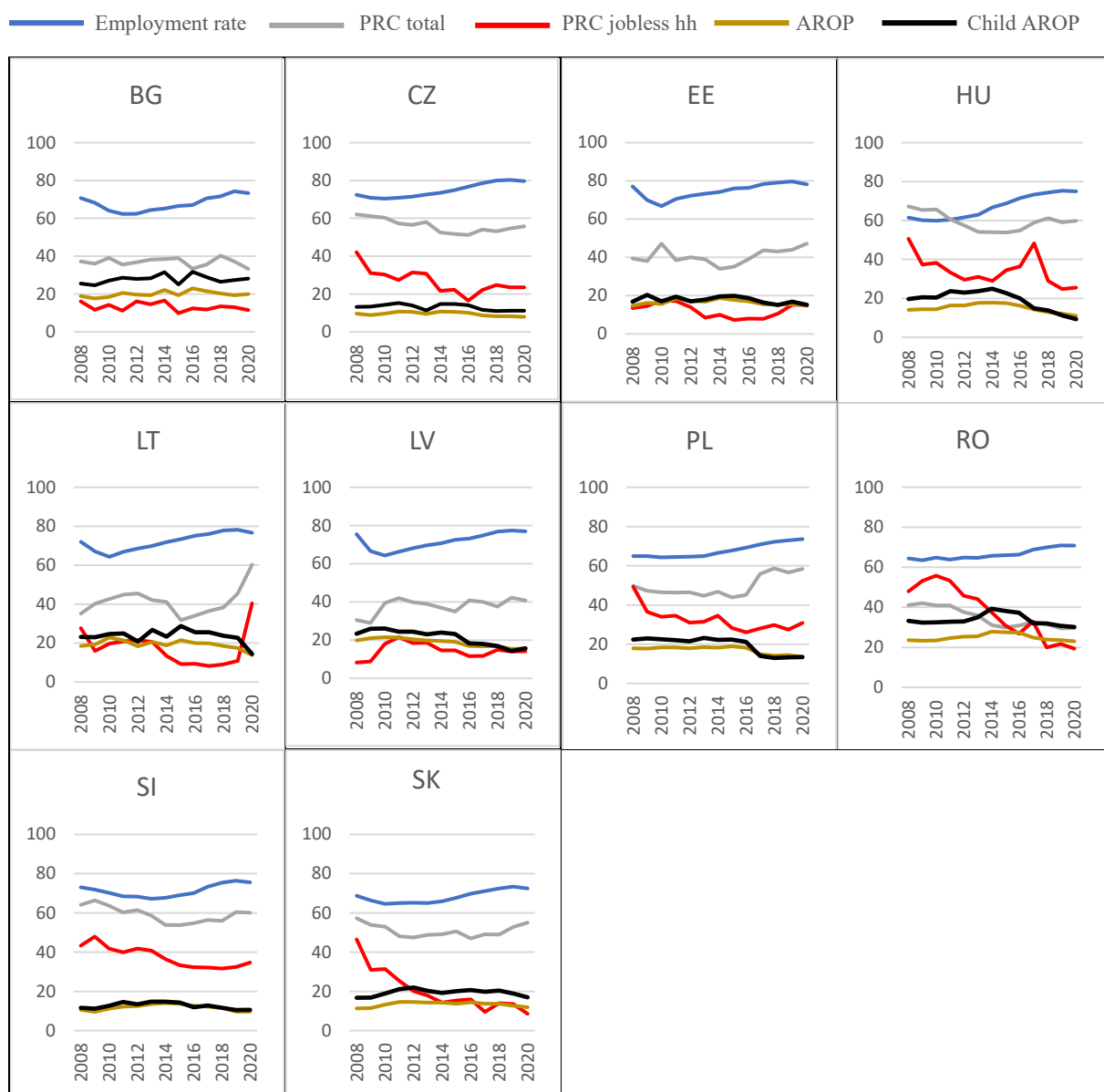
Figure 4, Employment and poverty reducing capacity trends in Southern member states (2008-2020, %)

— Employment rate — PRC total — PRC jobless hh — AROP — Child AROP



Source : EU-SILC (own calculations)

Figure 5, Employment and poverty reducing capacity trends in Eastern member states (2008-2020, %)



Source : EU-SILC (own calculations)

1.5 The root causes for disappointing poverty trends

As a structural trend in many countries, the distribution upside of employment growth and defeminization of poverty had been affected by a distributive downside (more poverty among the jobless households). Trends were not unequivocal, most of the research has focused on brief periods of time while cross-country differences are considerable. However, over the long term, there seems to be a common pattern of increasing relative income poverty, especially among work poor, low skilled households.

The literature distinguishes between various factors driving these trends (Cantillon, 2022). The first factor relates to the *unequal distribution of jobs among individuals* in a dual labour market in which full employment among the higher-skilled men and women co-exists with the structural

underemployment of the low-skilled. Against the background of individualization and increasing dual earnings, for reasons of social homogeneity, this evolution was, secondly, *reinforced at the household level* (Corluy and Vandenbroucke, 2014). As a consequence, in many countries employment growth has disproportionately benefited work-richer households, leaving jobless households structurally behind.

The third reason for disappointing poverty trends is related to the “great decoupling” between productivity and profit gains on the one hand and low wage growth on the other, the *slow growth of low wages* and the *flexibilization of labour markets*. Wage floors, as set through minimum wages or collective bargaining, matter for workers. But and this is less recognized in debates, they also matter for the level of protection that can be provided to the work-poor without compromising work incentives (Cantillon et al., 2020). Low wages act as a glass ceiling on minimum income protection : in many countries the erosion of minimum income protection was related to sinking gross low wages compared to median household incomes.

The fourth reason, which is strongly related to the previous ones, concerns the *decreasing poverty reducing capacity of social protection* and the resulting increase of relative income poverty among households with a low work intensity. Comparisons across time and space point, as causes, to persistent or even increasing inadequacy of minimum income protection (Cantillon et al., 2019a; Cantillon et al., 2019b; Marx and Nelson, 2013; Gabos et al., 2019), the tightened eligibility criteria and increased conditionalities, especially in unemployment benefit and social assistance systems (Eichhorst and Konle-Seidl, 2008; Knotz, 2018; Weishaupt, 2013) and to the increasing number of individuals working in non-standard jobs, that do not always guarantee entitlement to social insurance protection (Bonoli and Natali, 2012; Clasen and Clegg, 2011; Immervoll, 2009; Immervoll and Scarpetta, 2012).

This sobering account of social inclusion trends in past decades leads to the conclusion that it will be difficult to reach the three social inclusion targets of the European Pillar of Social Rights (EPSR) Action Plan without:

- ***more quality jobs and fair working conditions for the low skilled,***
- ***social investment targeted to the most vulnerable,***
- ***increasing wage floors,***
- ***more adequate and accessible social protection and adequate minimum incomes for jobless households.***

2. Mapping the implementation of the EPSR so far : which lessons for the future?⁹

Social inclusion and poverty are ambiguous concepts referring essentially to relative, gradual and multidimensional problems that cannot be solved with single measures. To make progress, all the rights and principles enshrined in the EPSR are involved: employment, fair working conditions and social protection are key. European social agendas have so far focused on employment, gender equality and social investment strategies which have proven to be necessary but not sufficient to reduce poverty. Providing low-paid workers and jobless households with adequate social protection are equally important, especially against the backdrop of the flexibilization of labour, growing care needs and uncertainties associated with climate transition. Employment and social investment initiatives are also not always 'social inclusion proof': for example, if the WLBD does not contribute to better employment opportunities for low-skilled mothers and fathers then the directive will do nothing for the poor.

Taken together, the Action plan sets measurable targets and clearly scheduled initiatives. Together, these could contribute to building the social pillar in the EU necessary to successfully move towards the set objectives and targets. However, although the Action Plan promises to 'leave no one behind', and although the EPSR brings about a broadening of the hitherto one-sided employment centred European social agenda, *the implementation of social rights remains unequal*. On the one hand, there is, so distinctive from the EU social investment approach to social rights, a strong focus on employment, active labour market policies, equal opportunities and gender equality. Regarding fair working conditions, many novel or substantially updated legislative initiatives were launched, for instance relating to work-life balance and the minimum wage. In the area of social protection and inclusion, however, although multiple principles highlight the importance of well-functioning, accessible and adequate social protection systems, initiatives mostly rely on soft law even if the social funds are relevant to consider.

⁹ This section draws on the working paper "Reaching the European social targets: The need for better balanced Power Resources" by Akarcesme et al. (2022) The authors thank Ninke Mussche for the compilation of this paper.

Table 1, Gender Equality, Employment and Social Inclusion in the Pillar Principles

	Chapter 1 (Equal opportunities and access to the labour market)	Chapter 2 (Fair working conditions)	Chapter 3 (Social protection and Inclusion)
Reference to Gender Equality	2 "Gender Equality" 3 "Equal opportunities"	6 "Wages" 9 "Work-life balance"	15 "Old age income and pensions"
Reference to Employment	1 "Education, training and lifelong learning" 2 "Gender Equality" 3 "Equal opportunities" 4 "Active support to employment"	5 "Secure and adaptable employment" 6 "Wages" 7 "Information about employment conditions and protection in case of dismissals"	17 "Inclusion of people with disabilities"
Reference to Social Inclusion	1 "Education, training and lifelong learning" 3 "Equal opportunities"	6 "Wages"	11 "Childcare and support to children" 14 "Minimum income" 17 "Inclusion of people with disabilities" 19 "Housing and assistance for the homeless"

From the sobering experiences in the past and the challenges ahead (see section 1) it follows that, if the three social inclusion targets of the EPSR Action Plan are to be taken seriously, an equal commitment to social protection and social investment is needed. The analysis of priorities in the implementation of the EPSR so far shows that this implies a) a strengthening of the initiatives regarding social protection and minimum incomes on the one hand and b) intersectional approaches that explicitly link social investment to the social inclusion dimension of the EPSR.

Several principles in the EPSR refer to social inclusion and social protection, including the entire third chapter. An important example is the right to a minimum income (principle 14), which recognises, for the first time the individual right to a minimum for 'everyone lacking sufficient resources [to ensure] a life in dignity at all stages of life, and effective access to enabling goods and services'. Likewise, the right to childcare and support for children (principle 11) aims at breaking the intergenerational cycle of disadvantage by protecting children from poverty and providing them with quality education and care. Additionally, a couple of rights outside the chapter on social inclusion also refer to either the combat of poverty or social exclusion. This is the case of the right to education (principle 1), the right to equal treatment (principle 3) and the right to wages (principle 6) which are seen as necessary to foster an inclusive society.

When it comes to the Action Plan, the Commission proposed an ambitious timeline (2021-2025), also for social inclusion and protection initiatives:

- ✓ a Recommendation on adequate minimum income schemes,
- ✓ the EU strategy on the rights of the Child,
- ✓ a Council Recommendation establishing the European Child Guarantee,ⁱⁱ
- ✓ a European Platform on Combating Homelessness and an affordable housing initiative.ⁱⁱⁱ

- ✓ In order to make social protection fit for modern times, the Commission also plans to propose a European Social Security Pass.

These initiatives build on earlier developments which we briefly list here:

- ✓ In 1992, the Commission presented a proposal of Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems — commonly known as the Minimum Income Recommendation —, which calls on Member States to recognise the right to social assistance and sets out principles and guidelines
- ✓ Over a decade later, the Commission shifted its approach to active inclusion in the labour market with Recommendation 2008/867/EC,^{iv} which lays down that Member States should provide services that are essential for supporting social inclusion policies, such as housing support and social housing.
- ✓ In 2020, the Council adopted conclusions on strengthening minimum income protection in the EU with the aim to combat poverty and social exclusion (Council Conclusions, 2020).
- ✓ A new minimum income Council recommendation was adopted by the Council on 30 January 2023.
- ✓ There are, moreover, a couple of Recommendations with a focus on children aiming at breaking the cycle of disadvantage,^v childcare and early schooling.^{vi} In 2016, the Council Conclusions on ‘Combating Poverty and Social Exclusion’ encouraged the Member States to address child poverty and promote children's wellbeing through multi-dimensional and integrated strategies. More recently, in the context of the EPSR, the Commission has adopted the child and the reinforced Youth Guarantee. These independent instruments aim, respectively, to prevent and combat social exclusion by guaranteeing the access of children in need to a set of key services^{vii} and to ensure that all young people under the age of 30 receive a good quality prospect (i.e. employment, education) within a period of four months of becoming unemployed or leaving education (European Commission, 2020).^{viii} The European Child Guarantee and the reinforced Youth Guarantee are interesting examples of instrumental resources on social inclusion which require Member States to engage in outreach measures with a view to raising awareness and encouraging and facilitating the take-up of the services covered by the respective instruments.

Although not directly, there are also some binding hard-law instruments that implement the objective of combating social exclusion to which individuals may take recourse. The *directive on minimum wages* would ensure access to minimum wages for an important number of people and may have an — albeit indirect — impact on the living conditions of work poor households and the working poor. A couple of directives do include provisions that guarantee disadvantaged individuals a certain living standard. This is the case of unaccompanied children, asylum-seekers and refugees, or victims of crimes.^{ix} There are, moreover, a couple of instruments for people with disabilities like the UN Convention on the Rights of Persons with Disabilities — to which the EU is party —, or Article 5 of the framework Directive 2000/78, which establishes a duty for reasonable accommodation for disabled persons.^x

Importantly, European Funding has proved instrumental in enabling national policies to provide basic needs (FEAD), finance temporary unemployment services during the Covid-19 pandemic (SURE) and requiring that at least 25% of the ESF+ funding is dedicated to the fight against poverty and social exclusion (Greiss et al., 2021; Hermans et al., 2021). While these, and other available funds, do not directly empower individuals, they may be instrumental in making their rights effectively available to them. European funds also finance important institutions like FEANTSA or EAPN, leading in the past to

successful litigations before international bodies to defend their victims (ECSR, *Feantsa v. NL*). The social funds can also initiate political processes toward binding agreements on social protection and minimum income protection (see below).

Taken as a whole, however, there is a striking **imbalance** between employment and gender related initiatives on the one hand and the instruments deployed in the domains of social protection on the other hand. The vast majority of instruments regarding social inclusion and protection follow a soft-law approach, with very few instrumental resources to back these up. As soft-law instruments, the above are capable of triggering changes at the national level, but pressure on governments remain weak while without further (national) action, individuals cannot rely on them directly to gain access to a certain benefit.

This contrasts with the empirical evidence on poverty trends discussed in section 1 that points to qualified successes in terms of employment and gender equality but not in terms of the reduction of the number of people at risk of poverty or social exclusion. It follows that without the ***strengthening of the framework for social inclusion and social protection***, it will be difficult to meet the European social inclusion targets in the future. This implies, in general, the need for:

- 1. a stronger focus on the accessibility and adequacy of social protection and minimum incomes:*** employment and gender equality objectives are now firmly anchored in the European social agenda; equivalent European embedding of social protection and minimum income guarantee is required.
- 2. a “social inclusion proof” implementation of social investment initiatives in the domains of employment, gender and the work-life balance:*** employment and social investment strategies, however important, are not sufficient to reduce poverty; in implementing these strategies catering for the most vulnerable should be given priority.
- 3. the strengthening of the role of social funding*** to a) enable national policies to *provide basic needs* (FEAD), *finance temporary unemployment services* (SURE) and increase employability and job opportunities for lower skilled individuals (ESF); b) *support the strengthening of public awareness* by organisations like FEANTSA and EAPN and c) *add strength to political processes* that may eventually lead to binding agreements on minimum standards in social protection.

3. How to reinforce the implementation of the Council Recommendation on adequate minimum income?

Against the background of the trends described in the first section of this paper, principle 14 of the EPSR according to which: *“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”* is of paramount importance. Together with the Directive on adequate minimum wages and the Council recommendation on access to social protection, the Council Recommendation on adequate minimum income aiming “at combating poverty and social exclusion by promoting adequate income support, effective access to enabling and essential services for persons lacking sufficient resources and fostering labour market integration of those who can work” marks a further step in a long process to fulfil the right to adequate incomes for European citizens and, in doing so, to take the high road towards upward social convergence. In view of future demographic, economic and ecological developments, ensuring adequate social floors is crucially important not only for those most affected by insecurity but also for the resilience of European societies and the Union as a whole.

Consistent with the poverty trends described in Section 1, minimum income protection falls short in virtually all member states (see most recently Gãbos and Tomka, 2022; Aerts et al., 2020). Results of assessments based on comparisons between the disposable incomes of households dependent on social assistance and the 60% at-risk-of-poverty threshold are confirmed by studies that have used comparable reference budgets (Goedemé et al., 2017). There are, however, massive disparities across the EU. Some Eastern European countries cluster at the very bottom with benefit levels below half of the poverty line, indicating severe exposure to poverty for non-working households with no social insurance or other entitlements. In most countries, trends over time do not show any improvements, on the contrary. Gãbos and Tomka (2022) concluded that “recent changes around 2009-2013 seem to constitute a part of an overall trend of decline in benefit levels compared to median incomes which already started long before the financial crisis”. Comparisons across time in Europe and beyond suggest indeed that the inadequacy of minimum income protection is a long-standing and fairly universal problem in mature welfare states (Cantillon et al., 2019a; Cantillon et al., 2019b; Marx and Nelson, 2013). At least in part this seems to be a structural problem related to the weak labour market position of lower skilled, the sluggish growth of low wages and the fact that in many countries for families with children minimum wages too are inadequate (Cantillon et al., 2020; Hick and Marx, 2022; Lohmann and Marx, 2018; Marchal, 2017). Hence, achieving adequate minimum income protection assumes great efforts going far beyond merely the increase and optimalization of social assistance benefits. The recommendation rightly makes mention of the importance of minimum wages, quality jobs and individual support but actually the entire fabric of society is involved. Efforts are, moreover, very unevenly distributed between countries: poorer countries must deploy far more resources, both quantitatively and qualitatively, than richer countries. Hence, greater solidarity, between and within countries will be needed in order to achieve the goals of the recommendation and the EPSR targets.

For substantial and instrumental reasons the European Social Union has an important role to play here. Further steps should be taken to prepare a Framework Directive on Minimum Incomes because:

- *Catering for the most vulnerable should become the effective priority of the European Social Union* : this implies not only adequate wage floors and enabling policies but also adequate, accessible and enforceable social floors.
- Disappointing poverty trends show that *soft law instruments and policy coordination mechanisms are insufficient*.
- A basic security is a *necessity with the view of the major ecological, demographic and technological transitions* and to make a success of the policies that Europe sets out in these areas.
- Having an adequate and secure income is a major concern for many European citizens : guaranteeing a basic level of income security would *increase the legitimacy of the EU*.
- Minimum income standards are a necessary *precondition of European solidarity* : a binding agreement on minimum incomes is needed to support the functioning of the social and climate funding.
- Binding agreements about minimum incomes also *necessitate European solidarity* because the poorest countries will have to make the greatest efforts to reach the standards. A framework directive on minimum incomes would thus not only be a necessary condition for making pan-European solidarity possible, it is also a lever to strengthen pan-European solidarity, for example through intensifying the social funds.

We identify the following elements in order to prepare for the next step while making the recommendation a success :

- reinforce the analytical work to define common benchmarks of adequacy and affordability;
- strengthen the role of the social funds and clarify how social funding can be better deployed to support member states in their mission to improve minimum income protection schemes;
- link the monitoring of the implementation of the minimum income recommendation to progress made in terms of minimum wages and access to social protection, two essential areas on which binding agreements do already exist.

3.1 Reinforce the analytical work to define common benchmarks of adequacy and affordability¹⁰

Two concepts related to social protection and social inclusion appear recurrently in the EPSR: adequacy and affordability. The EPSR refers to ‘adequate minimum wages’; ‘adequate social protection’; ‘adequate unemployment benefits’, ‘adequate minimum income benefits’ and ‘pensions ensuring an adequate income’, as well as ‘affordable early childhood education’, ‘affordable, preventive and curative health care of good quality’; ‘affordable long-term care services of good quality’. Affordability and adequacy are two sides of the same coin. An income is adequate when essential goods and services are affordable, and vice versa, a good or service is affordable when the disposable household income

¹⁰ This section draws on Storms et al. (2023)

is at an adequate level to consume a particular good or service without sacrificing consumption of other essential goods and services. The monitoring of the minimum income recommendation should therefore take account of both sides of the coin.

The recommendation on adequate minimum incomes puts forward three benchmarks to assess adequacy: (1) the 'national-at-risk-of poverty threshold (AROP), (2) the monetary value of necessary goods and services, including adequate nutrition, housing, healthcare and essential services, according to the national definitions and (3) a benchmark that member states are free to define and which is 'established by national law or practice and is of a comparable level as the previous two'. Importantly, the at-risk-of-poverty threshold is mentioned as the prime European benchmark for adequate minimum incomes. It defines adequacy, as a percentage of median household income (in parallel with the Directive on minimum wages where adequacy is defined as 50 or 60% of average or median wages respectively). Notwithstanding shortcomings this commonly agreed and widely used benchmark is timely, statistically validated, measurably in a sufficiently comparable way, statistically robust and transparent.

The second and third proposed benchmarks are, however, problematic : they are vaguely defined and do not allow cross-country nor intertemporal comparability.

The second benchmark defines ' necessary goods and services' in an arguably rather narrow sense (nutrition , housing, healthcare and essential services) and is 'free to define by member states'. Without mentioning it by name this benchmark refers to the methodology of reference budgets covering concrete lists of goods and services judged to be minimum resources for adequate social participation. By clarifying which income is necessary for obtaining a certain living standard and by taking into account services and cost compensations, this methodology allow the clarification of the actual meaning of ' adequacy', 'affordability' and being at-risk-of poverty in countries that vary in average standard of living. But to use this methodology for the monitoring of the implementation of the minimum income recommendation at least procedural comparability would be required. This, of course, is also a necessary condition for moving toward binding agreements on adequate minimum incomes. Previous attempts to develop comparable reference budgets have proven that it is possible and also useful to build in procedural comparability in the construction of reference budgets (see Goedemé et al., 2019; see also Goedemé et al., 2015). The approach used in the EU-funded FP7 project (ImPRoVE) suggested, for instance, that the at-risk-of-poverty indicator underestimates the needs of households in the poorest EU member states and underestimates poverty among children almost everywhere . This work has shown that providing a tool that can be used as an operational yardstick to evaluate adequacy and affordability in Europe is a task of crucial importance but a very challenging one (see Storms et al., 2023).

Also the third benchmark 'established by national law or practice and is of a comparable level as the previous two' falls short on comparability. The lack of comparability across countries and across time (both benchmarks remain silent about adjustment over time) is problematic because the equivocalness greatly complicates the monitoring of the implementation of the recommendation while it also compromises the acceleration of the process towards binding agreements on guaranteeing adequate minimum. A large-scale effort to devise a methodology to design procedurally comparable reference budgets is therefore a task of first priority.

While the at-risk-of-poverty threshold should be the leading benchmark for income adequacy it is necessary to elaborate a methodology that allows its contextualization, taking into account the large differences in living conditions across the union and the importance of the affordability of essential goods and services. To that end we recommend to build on previous analytical and empirical work (Goedemé et al., 2016; Goedemé et al., 2015; Menyhert et al., 2021) that attempted to develop cross-nationally comparable reference budgets in Europe in order to a) clarify which necessities should be taken into account (how should the three necessities mentioned in article 5 of the recommendation - adequate nutrition, housing and healthcare- be complemented ?); b) develop a methodology to document how national reference budgets are constructed and calculated and whether the reference budgets used are robust across time; c) to study which data are needed in order to construct cross-national comparable reference budgets and to d) develop a methodology to construct reference budgets that can be compared, at least in a procedural way, across member states.

3.2 Strengthen the role of the social funds

According to the EPSR Action Plan, “Member States should make full use of the unprecedented EU funds available to support reforms and investments in line with the European Pillar of Social Rights” (EC, 2021, p.33). Also, the Council Recommendation establishes an explicit link with social funding: “*Union funds are available to support the implementation of this Recommendation. Within the European Social Fund Plus, established by the Regulation (EU) 2021/1057 of the European Parliament and of the Council ⁽¹⁶⁾, each Member State should allocate at least 25 % of the European Social Fund Plus to combat social exclusion. The European Regional Development Fund and InvestEU can equally support investments in enabling social infrastructure, such as social housing and early childhood education and care, as well as equipment and access to quality services. The Technical Support Instrument and the Recovery and Resilience Facility already support Member States in designing and implementing structural reforms in the area of minimum income.*” A staff working document (SWD(2022) 313 final) further specifies that “with a budget of almost EUR 99.3 billion for the period 2021-2027, the ESF+ maintains a strong focus on social inclusion, earmarking a dedicated allocation of at least 25% of the shared management resources for this purpose and at least 3% for addressing material deprivation”.

The link between ensuring adequate minimum incomes and social inclusion on the one hand and social funding on the other hand is potentially of great *importance because earmarked social funding:*

- *supports member states in their efforts to meet the objective of increasing social inclusion through the enhancement of their minimum income protection schemes;*
- *encourages and incentivizes Member States to take the necessary actions to implement the Recommendation and*
- *strengthen and accelerates the political process toward a directive on minimum incomes: after all, in order to avoid shifting responsibilities on safeguarding fundamental social rights from the national to the European level, earmarked social funding makes it necessary to create a social level playing field with, *inter alia*, minimum standards on minimum incomes.*

Fundamentally, enhanced solidarity *within* Member States to increase minimum income protection) cannot be decoupled from enhanced solidarity *between* Member States, and vice versa. The efforts to be made to increase minimum incomes are significant, especially in poorer countries where the budgetary cost of raising the social floors is very important (Vandenbroucke et al., 2013). Binding agreements on minimum income protection should therefore involve stronger elements of pan-European solidarity. Through budgetary support ESF+ could take on a pivotal role in that policy conundrum. Conversely, however, it also applies that supporting Member States with food aid for example presupposes compliance with minimum standards in order to avoid incentives to reduce own policy efforts. Although the additionality principle is in place which stresses that EU funding cannot replace national spending, by orienting social funding to poor countries the risk of moral hazard is looming. The question is particularly pressing for FEAD, which Greiss et al. (2020) described as a Trojan horse dilemma: FEAD might open up ways for the EU as an agent to fill the gaps of inadequate social protection systems. Therefore, a level playing field consisting of minimum standards for wages, social assistance and social insurance is a necessary precondition of the extension of the role of the social funds and the increase of European solidarity.

So conceived, ESF+, FEAD in particular, could become a powerful vehicle to enforce the implementation of the recommendation, to gradually move towards a binding European framework on minimum income protection and to enhance European solidarity. In order to get there, however, the distribution of the funds should become more needs-based while the monitoring of the effectiveness of the funds should be improved.

3.3 Consider a more needs-based distribution of ESF+

The social funds, especially FEAD, tend to accrue relatively more to countries that have to make the greatest efforts to implement the minimum income recommendation. There are, however, important deviations from this positive association, especially within the group of poorer countries : not all countries with similar social needs receive the same amount of funding. Moreover, from a pan-European perspective, the solidarity brought about by the funds seems largely insufficient to achieve upward convergence.

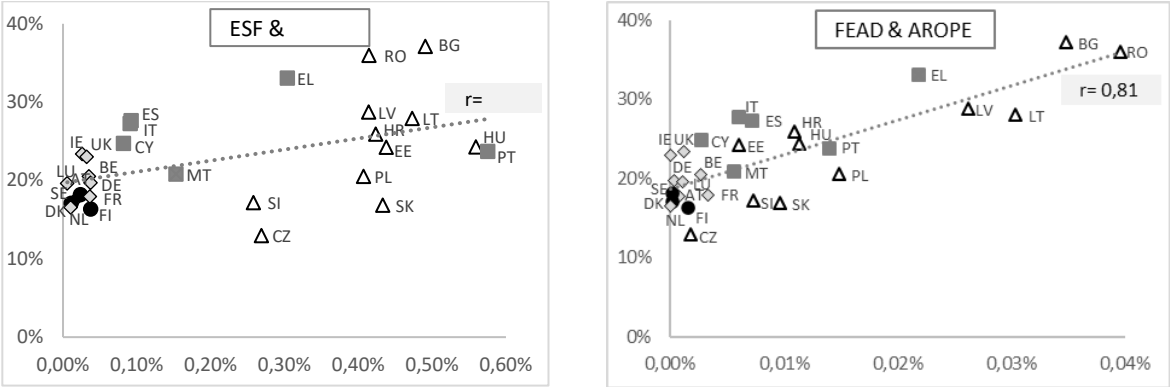
In general, Member States facing higher social needs tend to receive more funding: Figure 6 shows that the composite headline indicator AROPE is positively associated with ESF¹¹. The positive associations with social needs are consistently stronger for FEAD than for ESF, suggesting preferences for FEAD of countries with greater social needs, as Member States choose how much of their Structural Funds' budget, they want to dedicate to FEAD¹². There are, however, many departures from this trendline. Particularly within the group of poor countries the correlation between needs and social funding is rather weak (compare, for instance, in the figure below, Romania and Slovakia).

¹¹ The AROPE sub-indicators show quite divergent patterns: the association is strongest for SMD whereas the association with AROP is weaker (especially for ESF) while there is no or a small negative association with VLWI¹¹. The strong association with SMD is related to the strong relationship between the social funds and GDP which is also greatly associated with SMD.

¹² The weaker associations between ESF and social needs are arguably related to the ESF allocation methodology that puts a strong focus on economic capacity, which is only loosely correlated with some social indicators. Besides that, several countries with high social needs are affected by the cap limiting ESF and FEAD budgets to a percentage of their GDP (BG, EE, HR, LV, LT, RO), which may also partially explain the inadequate differentiation of budgets to countries with higher social needs.

Compared to the national poverty gap, the ESF budgets in poor countries are quite substantial: in some countries, the budget allows the reduction of the poverty gap by more than 50% (Hermans et.al, 2021). FEAD budgets are much smaller but for poor countries they are not trivial (reflecting more than 2% of the poverty gap in the poorest countries). There is, moreover, a positive association between the efforts needed to close the poverty gap and the size of the budgets received. However, the association is far from perfect. Significant deviations are linked with political decisions following national and regional negotiations (Bodenstein and Kemmerling, 2012) and path dependency (Madama, 2016).

Figure 6: Associations between one-year EU ESF and FEAD budgets (as % of average GDP 2014-2020) on the horizontal axis and social need indicators (average of 2014-2020) on the vertical axis



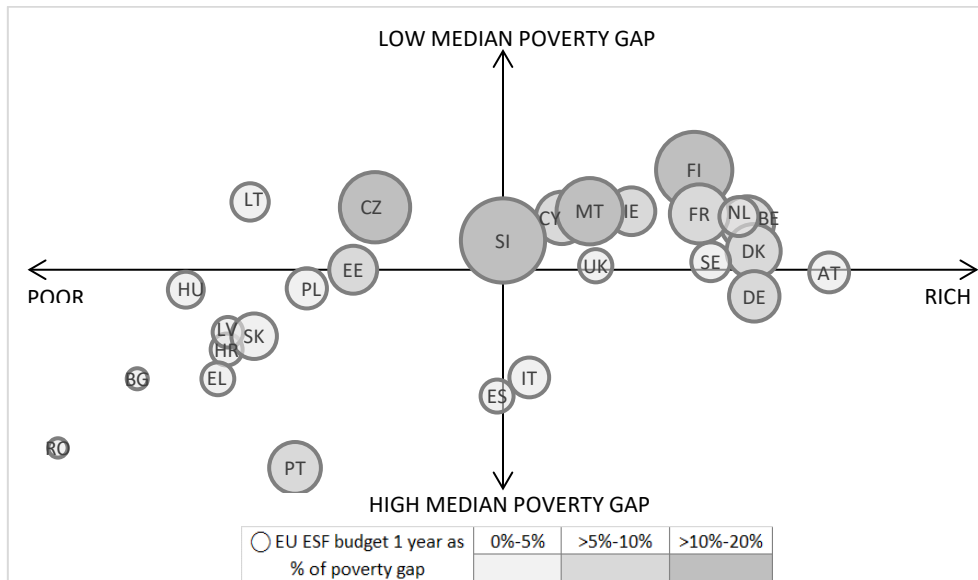
Note: ◻ Northern EU-countries, Δ Eastern EU-countries, ◊ Western EU-countries, ■ Southern EU-countries. For the UK, 2019 and 2020 data are missing for AROPE, AROP, SMD and LWI. For Italy, there is no 2020 data yet on AROPE, AROP, SMD and LWI.

Source: own calculation based on Eurostat and EU Cohesion policy data, derived from Hermans et al. (2021).

How are the social funds distributed according to the efforts to be deployed in order to lift the incomes to the EU-wide poverty line and, by doing so, to contribute to upward convergence? Figure 7 expresses the budgets as a percentage of the cost to lift all income-poor citizens to the EU-wide 60% at-risk-of-poverty line¹³. The circumference of the circles shows how large countries' ESF and FEAD budgets are relative to their cost to close the EU-wide poverty gap. So conceived, it appears that relative to the EU-wide poverty gap a large share of the budgets accrues to richer countries while in many poorer countries, ESF and FEAD budgets are low compared to the high cost to close the EU-wide poverty gap. Theoretically, with a one-year ESF budget, some richer countries would be able to reduce their EU-wide poverty gap with almost 20% while the ESF budget of Romania and Bulgaria only represents about 1% of their cost to close the gap with the EU-wide poverty line.

¹³ This is constructed using the EU-SILC dataset. In line with the work of Goedemé et al. (2019), we standardized disposable incomes using the modified OECD equivalence scale and adjusted this with PPPs for individual consumption.

Figure 7: One-year EU ESF and FEAD budget as % of Member States' efforts needed to close the EU-wide poverty gap (average 2014-2020)¹⁴



Note: on the horizontal axis, countries are positioned according to their equivalent median income in PPS (average 2014-2020). On the vertical axis, their position is determined by the national relative median at-risk-of-poverty gap (average 2014-2020). Luxembourg is not included, because of its outlier position concerning median income.

Source: own calculation with EU-SILC and EU Cohesion policy data, derived from Hermans et al. (forthcoming).

Although ESF proclaims that ‘needs-based funding’ is applied for distributing the budgets, a great weight is *de facto* given to other factors linked to economic capacity and country-specific preferences. In general, this concurs with a needs-based distribution. However, the many departures from the trendlines suggest that a more deliberate, intentional and planned social needs-oriented distribution of the European social budgets should be considered. Moreover, even though the social funds accrue more to poor countries which are confronted with greater social needs, the solidarity involved is not strong enough in order to contribute to effective upward convergence. **For the funds to be able to contribute to the implementation of the recommendation and to help gradually move towards a binding European framework on minimum income protection, a better alignment of social funding with the differential efforts member states have to make to comply with the targets is needed.**

That, of course, also presumes that efforts should be made to increase the measurability of the results of ESF+-funded programmes while, more generally, more research is needed on the poverty-reducing effectiveness of these funds, and on their impact on social inclusion of European citizens (Bachtler et al., 2016).

3.3.1 Bring FEAD into the monitoring of the minimum income recommendation

Although FEAD is a very small EU program its monitoring is important for a “social inclusion proof” implementation of the minimum income recommendation because:

- it operates in a controversial area of humanitarian assistance (concerns relate to issues of shame, stigmatization, paternalism and the lack of freedom of choice for consumption);
- the share of FEAD in the total value of the food aid packages is not trivial, also in rich countries¹⁵ (Hermans et al., 2023);
- FEAD seems to play a not insignificant role in the growing intertwining of welfare agencies and charity food, the spread, professionalisation and in the penetration of food aid in formal social protection mechanisms (Greiss et al., 2022);
- FEAD accompanying measures are potentially important for the implementation of the individualised support central to the minimum income recommendation;
- under ESF+ and FEA the use of food vouchers was made possible which might influence the design of national minimum income schemes.

For all these reasons, ***we recommend to monitor the use of FEAD as part of the implementation of the minimum income recommendation.***

3.4 Broaden the scope of the monitoring to include the interlinkages with the implementation of the Directive on minimum wages and the Recommendation on access to social protection for workers and the self-employed

To reach the EPSR social targets, all the rights and principles enshrined in the EPSR are involved: employment, fair working conditions and social protection are key. Promoting adequate income support and social protection, effective access to enabling and essential services for persons lacking sufficient resources and fostering labour market integration of those who can work are essential to this end. The recommendation relates to one specific and essential instrument : “tax-financed, non-contributory and granted based on need, often for an indefinite period. Using a low-income criterion and means testing as eligibility conditions, they target working-age households with no or limited access to other resources, with the aim of securing their subsistence and alleviating poverty.”

Adequate minimum income assistance substantiates the social right defined in principle 14 of the EPSR. Although important of course for the people involved, it is, however, also important to emphasize that, at a macro-level, social assistance is only weakly related to AROP. In cross-country comparisons, the relationship between social assistance generosity (which is in most cases below the poverty threshold) and working age at-risk-of-poverty is not very strong while, overall, the poverty reducing capacity of social insurance tend to be much higher than social assistance. This is related to the fact that the modus operandi of social assistance suffers from inherent problems, such as non-take up (see, among others,

¹⁵ However, an enormous variation in the values of food aid between organisations in the same cities and important fluctuations over time were found. This points to the great discretion and uncertainty for food aid recipients, which is obviously incompatible with the implementation of social rights.

Bargain et al., 2012; Janssens and Van Mechelen, 2022), high operational costs and discretion (De Wilde and Marchal, 2019). Social assistance is less preventative and more error prone and, as such, offer less security than the universal social protection. The inadequacy of social assistance benefits is also structurally linked to the fact that there must be some hierarchy between social assistance benefits, social insurance benefits, and minimum wages. The recommendation puts forward essential strategies to correct these shortcomings, including adequacy, non-take-up and coverage. However, it should also be recognized that these problems are to some extent inherent to assistance systems.

Well-designed social security systems are much more powerful as an instrument of poverty reduction, not least because they work preventively and do not act only when need already exists. Social security benefits are less subject to the problem of non-take up while they are structurally higher than social assistance benefits. The access to adequate contributory benefits is therefore essential to reduce income poverty and to reach the EPSR targets. This is also necessary for the proper functioning of social assistance systems. The increase of the number of people on social assistance in many countries (Marchal et al., 2011) is a threatening evolution not only because of the lesser generosity and greater conditionalities involved in social assistance but also because individual support - so prominent in the recommendation on minimum incomes - then comes under pressure. Individualized social assistance is only possible when it concerns a manageable number of clients.

The level of minimum incomes can also not be dissociated from minimum wages (and vice versa). The inadequacy of the social floor is linked to the inadequacy of the wage floor, especially for families with children (Cantillon et al., 2020). In a study for a large number of countries, a clear link was found between the development of minimum incomes on the one hand and changes in minimum wages on the other: a fall of 10 percentage points in the lowest gross wages in relation to the median income went hand in hand with a drop by 2.47 percentage points in relation to the median income (ibid).

Conversely, minimum incomes in social assistance may also impacts the wage floor and may generate upward pressure, on social security, minimum wages and on the quality of activation schemes. Therefore, the implementation of the minimum income recommendation should be evaluated together with the directive on minimum wages and the recommendation on access to social protection for worker and self-employed. More specifically, we recommend the coordination of the implementation of the recommendation *with other social security and social protection measures including the minimum wage, the minimum floors in social security and the evolution of the number of individuals covered by respectively social insurance and social assistance systems. A “social inclusion proof” implementation of the minimum income recommendation presupposes the monitoring of income support policies not only of means tested minimum income, but also of the access and generosity of social protection in general.*

4. Are EU family and children policies social inclusion proof?

Family policies – specifically the work-life balance directive and the European child guarantee – prompted through the European Pillar of Social Rights are strongly linked to the labour market. The work-life balance directive (WLBD) aims to enhance the active role of fathers or second carers in care, and thereby, to enhance possibilities for mothers to retain and to strengthen their link to the labour market. One of the principal aims of the WLBD is to shift the long-standing EU focus from enhancing female labour market participation, towards sharing the burden of unpaid care between both parents, irrespective of gender. Thus, the aim is to reinforce the double-earner, double-carer model, which is inclusive regarding both parents. This focus is justified, as a recent study by the OECD (2022) has reiterated that leave reserved for mothers is anchored strongly across EU member states in legislation, compensation and take-up, while father-specific leave is just starting to make headway. The European child guarantee is an equally important component of EU policy, as it enables parents to re-enter the labour market after a period of leave. In the following, we present the possibilities but also the Achilles' heel of the WLBD and the European child guarantee, also in terms of reaching households at the margins of the labour market.

The WLBD, explicitly seeks to alter gender roles, as it is mainly targeted at fathers/second carers. The father-specific provisions are 10 days paternity leave, to be paid at the level of sick pay, and 2 months of paid earmarked leave per parent, which should be compensated at an 'adequate' level, i.e. to incite fathers to take up leave, but which is to be decided by member states. The care literature has highlighted that leave should be reserved and compensated at a high level (as close as possible to full wages) to incite fathers to take leave. In practice, the lack of specification of a level of remuneration, while respective of the principle of subsidiarity, gives leeway to member states to decide on the level of payment, following the practices and political priorities, thus opening the door for differentiated implementation, and ultimately differentiated *de facto* use of social rights. Regarding eligibility to paid earmarked parental leave, parents must be in work, and have an employment contract or employment relationship defined by law or collective agreements. The directive also specifies that a period of eligibility of up to one year can be introduced by member states. ***This is a potential hurdle in terms of inclusion, since workers with regular contracts and a continuous employment history are included, but those at the margins of the labour market may not be eligible for parental leave.*** It is especially those with 0-hour or other types of precarious contracts, which may be excluded. Furthermore, ***the jobless are excluded from such paid parental leave schemes.*** Nevertheless, despite these shortcomings, the directive does have some potential for contributing to a shift in gender roles, so that there is at least a move to the double-earner, double-carer model (Lewis and Giullari, 2005). This is also supported by the European child guarantee, which enables both parents to quickly enter the labour market after child-birth. The European child guarantee is particularly relevant for mothers, so that their link to the labour market can *de facto* be retained and strengthened.

The process of implementation of the WLBD so far has important lessons. The formal changes include the legal right to reserved leave, as well as a specification of the level of remuneration. The level of remuneration can be a disincentive for fathers (and in some cases, even mothers, especially in low-income households) to take leave if it is too low, and thus this is why the wording 'adequate' remuneration was important for the proponents of a more equal sharing of leave. Aside from the reservation of leave, which is required by the directive, the level of remuneration is being implemented

very differently. For instance, in three of the countries we examined - Denmark, Poland and the Netherlands, the planned financial compensation for the new period of reserved leave will be relatively high. Yet, there are differences regarding the intentions of policy-makers, i.e., in Denmark the aim for policy-makers is to encourage a more equal sharing of leave, while in Poland the government does not have comparable aims. By contrast, in France, where parental leave remuneration is very low, i.e., below the minimum income, changes to the level of compensation have not yet been settled. Furthermore, the aim of the policy-makers in France is to maintain *status quo* in the parental leave system. Policy-makers should thus have an eye to how 'adequate' compensation is interpreted and applied in the process of implementation of the WLBD. Regarding the European child guarantee, in countries where services are of high quality and universally available, the class differences in use of leave are not so marked. Even for those at the margins of the labour market, having children in formal care can enhance their cognitive capabilities.

Aside from the formal implementation, it is important to look at additional administrative, digital and information resources devoted to enable a shift from *de jure* to *de facto* social rights across member states. These elements are important, because they indicate whether the commitment to shift from *de jure* to *de facto* rights is secured. Administrative procedures, which are increasingly through digital platforms, can facilitate or hinder take-up of rights. Especially the parental leave area is complex, as application procedures for leave and remuneration are often separate. The German system is known for being quite complex administratively, and thus, the WLBD presented an opportunity to address those challenges. The new government is now addressing these shortcomings. In Denmark, resources are devoted to develop a digital planning tool and to ensure that the application procedure is simple, making social rights *de facto* accessible for parents. This is in line with the political intentions of the policy-makers, to ensure the new leave is actually used by fathers and second carers. In Poland, almost no resources are being developed to simplify procedures or even to inform citizens of their new social rights. Thus, here, the intention of policy-makers is to keep the change at bay as much as possible. But, once a floor of parental leave rights are implemented, a new government could make changes to actually encourage the take up of leave.

Another issue in parental leave relates to the *differences in parental leave rights among different groups of workers*. This has been an issue raised repeatedly by COFACE, the EU level NGO representing families, but also Eurofound, in several reports. Due to labour market segmentation, some workers, who are often in precarious work, including the self-employed, are ineligible for parental leave. Additionally, variations in company policies in parental leave policies mean that some workers enjoy better remuneration and/or longer duration of leave than other workers. According to the Belgian representative, companies' policies are often polarized with little middle ground. Some companies offer generous terms, whereas others offer paltry ones. In short, the use of parental leave by fathers and second parents may depend on their labour market position as well as, in some Member States, the firm where they work. If socio-economic advantage intersects with better labour market position (and perhaps firms that can afford more generous leave schemes), then the use of parental leave by fathers and second parents would be socio-economically stratified.

Based on our study and previous insights from the care literature, we would like to suggest several policy recommendations. First, the level of remuneration should be generous – preferably at least 80% of wages - to incentivize take-up of leave by mothers and fathers. For low-income households, the replacement rate is even more important to consider than in medium or high-income households. If

the replacement rate is low, the risk is, as in France, that the non-take-up is higher among the socio-economically disadvantaged groups, since the level of compensation is lower than the minimum income. Secondly, in most countries there are separate systems of application for leave and for remuneration, which should be simplified and once an application for leave is submitted, the applicant should automatically be directed towards the system of application for remuneration. Thirdly, if there are highly gendered sectors, resources could be devoted to information campaigns targeted at fathers. Fourth, resources on the workplace (HR and unions) could enable easily communicable information for parents, including communication on new gender equalizing aspects of parental leave, rather than previous models (this holds for Poland and France, but also Denmark, The Netherlands and Germany, even if the system in principle is gender-neutral, take-up is still gendered). This could, fifth, entail clear definitions regarding terms associated with leave, i.e., maternity, paternity and parental leave. In Spain and Poland as well, there are various terms, maternity and paternity birth leave, and then there is parental leave. Thus, the WLBD has the potential to alter take-up rates and to increase the length of leave among fathers, if the formal changes are in place for this (i.e., earmarking with high remuneration), but it also requires that resources are devoted to ensure the take-up of new social rights.

Yet, even when there are comprehensive resources to improve access to and knowledge about social rights, take-up among fathers is not so straightforward, especially for those that are reluctant, as we know from experiences in the Swedish case. Also, for fathers who may not be eligible due to their type of labour contract and/or length of service, this suggests unequal social rights. If policy-makers aim to increase take up of parental leave and close the gender care gap, especially among work poor households, these fathers and mothers should not be excluded from parental leave, especially with the rise of highly precarious atypical work like zero-hour contracts and solo self-employed among socio-economically disadvantaged men and women. ***The Matthew effects which are apparent in take-up of leave, even in countries with generous leave schemes, suggests the relevance of pro-actively developing measures to enhance take-up of leave among lower household incomes. Thus, while high replacement rates are key for those on the labour market, adequate minimum floors, and accessibility of leave schemes may be relevant for those further removed from the labour market.***

While the WLBD is targeted at parents, initiatives targeted at children can strengthen their opportunities, also for children in jobless households. ***Free and high quality ECEC¹⁶ is key, and in several countries, this is even mandatory for children in vulnerable households. This is thus potentially a stronger instrument for jobless households, but only if the services targeted at children are of high quality and easily accessible.***

¹⁶ Early childhood education and care

Endnotes

ⁱ An important caveat should be kept in mind here. The standard unit of measurement of at-risk-of-poverty is the household. This implies the assumption that resources are equally allocated within the household which constitutes a limitation when it comes to assessing women's poverty risks. After all, there is ample evidence that suggests differences in access to, control over and use of resources within households, especially along the lines of gender Bennett F (2013) Researching Within-Household Distribution: Overview, Developments, Debates, and Methodological Challenges. *Journal of Marriage and Family* 75(3): 582-597, Cantillon S *ibid.* Measuring Differences in Living Standards Within Households. 598-610.

ⁱⁱ Commission, 'Proposal for a Council Recommendation Establishing a European Child Guarantee' COM (2021) 137

ⁱⁱⁱ Particular attention is also drawn to health and long-term care for which the Commission plans to propose an initiative.

^{iv} OJ L307, 18.11.2008, p.11. 165

^v Commission Recommendation 2013/112/EU Investing in children: breaking the cycle of disadvantage [2013] OJ L 59

^{vi} Presidency conclusions, Barcelona European Council, 15-16 March 2002, SN 100/1/02; see also Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training (ET 2020) OJ C 119; COM(2011) 66 final

^{vii} Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee [2021] OJ L 223

^{viii} Other strategies, such as the EU Framework for National Roma Integration Strategies also recognise housing as a key area of intervention for the inclusion of disadvantaged Roma people. COM/2011/0173 final

^{ix} Directive 2012/29/EU establishing minimum standards on the rights, support and protection of victims of crime

^x Council Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation [2000] OJ L 303

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