

## **POVERTY, HUMAN RIGHTS AND INCOME SECURITY IN EUROPE**

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### Abstract

This paper finds that the human rights approach emphasizes the absolute dimensions of poverty, which is reflected by the selection of severe material deprivation as one of the three poverty indicators adopted by the Europe2020 strategy. This choice brings out the increasing welfare inequalities between East and West as well as between North and Southern Europe; and it points to the necessity for more EU-wide social policy making.

It also pleads for a broadening of the conceptual context for social policy making, so that income security through employment and through social protection are properly taken into account. It shows that the links between social protection, employment and economic development are conceptualized in narrow and partial frameworks, both by the debate on “flexicurity”, and by the partial and mainly neo-classical framework within which the basic income approach is conceptualized.

It concludes that the Guaranteed Minimum Income policies for adults of working age are effective ways to reduce poverty, but that they may have to be complemented by employment guarantees. Partial basic incomes for the elderly and children may be a good solution for dealing with poverty among these two main groups. However, under all circumstances interactions and synergies have to be taken into account and exploited - both among social policies as well as between social and economic policies.

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In a time of continued retrenchment the issue of poverty in Europe is bound to come back to the forefront of policy making. Among the five main targets of the Europe2020 strategy launched by the European Union in 2010, EU leaders have pledged to bring at least 20 million people out of poverty and exclusion by 2020. All 27 member states have committed themselves to concrete numbers for their countries.

This paper will examine these policy proposals against the background of a deteriorating social situation in Europe and in the light of a more conceptual discussion on poverty, human rights and income security. In particular, the paper will stress the multidimensionality of poverty and social policy making, the importance of human rights and the social protection floor, as well as the possible role that a Basic Income could play within the current architecture of European welfare states.

The paper starts with highlighting some key developments in the conceptualization and policy-making with regard to poverty, human rights and the Social Protection Floor, in particular within the UN Human Rights Council, the ILO and the Council of Europe. Section 2 will provide the wider conceptual framework of the relationships between income security, employment, social protection and economic growth. Against this background the paper will then introduce in section 3 the poverty targets adopted by the Europe2020 strategy, review some aspects of the implementation of this strategy, and give a first assessment of its effectiveness. Section 4 will review some proposals to extend and improve coverage under Guaranteed Minimum Income schemes, and compare their effectiveness with that of basic income programmes. In section 5 the paper will examine more particularly the potential effectiveness of basic pensions and child benefits. The paper will conclude by drawing the arguments together, and make some recommendations for future research and action.

## **1. Poverty, human rights and the social protection floor**

The human rights approach underlines the multidimensional nature of poverty, describing poverty in terms of a range of interrelated and mutually reinforcing deprivations, and drawing attention to the stigma, discrimination, insecurity and social exclusion associated with poverty (Sepúlveda and Nyst, 2012). The deprivation and indignity of poverty stem from various sources, such as the lack of an adequate standard of living, including food, clothing and housing, and the fact that poor people tend to be marginalized and socially excluded.

The essential idea underlying the adoption of a human rights approach to poverty reduction is that policies and institutions for poverty reduction should be based explicitly on the norms and values set out in international human rights Treaties, such as the International Covenant on Economic, Social and Cultural Rights (ICESCR) that have been ratified by virtually all countries in the world. Underpinned by universally recognized moral values and reinforced by legal obligations, international human rights provide a compelling normative framework for the formulation of national and international policies, including poverty reduction strategies (van Ginneken, 2009).

While the State is the principal duty-bearer with respect to the human rights of the people living within its jurisdiction, the international community at large also has a responsibility to help realize universal human rights. Thus, monitoring and

accountability procedures should also extend to global actors—such as the donor community; intergovernmental organizations, such as the United Nations, the Council of Europe and the European Union; as well as to international non-governmental organizations (NGOs); and transnational corporations (TNCs) — all of whose actions affect the enjoyment of human rights in any country (van Ginneken, 2011a).

The ILO Recommendation concerning national floors of social protection (ILO, 2012) adopted in June 2012 is an important step towards the rights-based approach to poverty eradication. It is part of the larger United Nations Social Protection Initiative, established in 2009, in which all UN family members participate. The recommendation defines four basic social security guarantees, i.e. (i) access to essential health care, including maternity care, that meet the criteria of availability, accessibility, acceptability and quality; as well as (ii) income security for children, (iii) persons in active age who are unable to earn sufficient income and (iv) for older persons. It also stipulates two major accountability procedures that strengthen the rights-based dimension, i.e. that these guarantees should be established by law and that everyone should have access to impartial, transparent, simple, rapid, accessible and inexpensive complaint procedures. Finally, the Recommendation adopts an open approach as to how these guarantees should be provided. It recommends that different approaches of benefits and schemes can be envisaged, including universal benefit schemes, social insurance and social assistance schemes, negative income tax, as well as public employment and employment support schemes.

Within the European context, the Council of Europe has formulated the most advanced texts on a variety of economic and social rights which are directly related to the eradication of poverty. Almost all 47 member countries ratified the original version of the European Social Charter (ESC), which was adopted in 1961. A majority of them also ratified the revised and more comprehensive version, which was adopted in 1996. However, some did not ratify specifically articles 30 and 31, which relate respectively to the right of protection against poverty and social exclusion, and to the right to housing (van Ginneken, 2010). The impact of both versions is strengthened by the Additional Protocol which was adopted in 1995 and which provides a system of collective complaints. So far, relatively few members have ratified this protocol.

In 2000 the European Union adopted its Charter of Fundamental Rights which became binding in 2009 when the Lisbon Treaty came into force. It states in Article II-94(3) that “in order to combat social exclusion and poverty, the Union recognizes and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources”. According to Decaux (2011), the Charter is only a starting point towards a multi-faceted strategy to respect and promote human rights, also in contexts outside the European Union. One component of such a strategy would be for the European Union as such to adhere to the Revised Social Charter and the Additional Protocol adopted by the Council of Europe. The EU should also consider to adhere to the Optional Protocol for the UN International Covenant of Economic, Social and Cultural Rights.

## 2. Income security, employment and economic growth

The current context of rising unemployment as well as lower and negative economic growth in Europe makes it necessary to conceptualize the provision of income security through social protection and through employment in the light of wider societal goals and policies. Table 1 therefore highlights the various linkages between social protection, employment and economic development.

**Table 1: Policies for employment and growth: the role of income security, social services and employment-intensive growth.**

Social risks and basic capabilities	Policies for employment and growth		
	Social protection		Employment-intensive growth
	Income security	Social services	
<i>Mitigating/relieving income shortfalls; strengthening employment capacity and social cohesion</i>			
Un(der)employment	Unemployment benefits; employment guarantee; cash and food for work	Labour market and training policies	SME and local development; macro- & sector policies
Sickness, disability and survivors	Contribution- and tax-financed pensions	Safety & health at work ; labour market (re)integration	Savings institutions
Old-age		Care, homes and institutions	
Family cohesion	Maternity, child and family benefits	Child care; family support	
Social assistance	Tax-financed benefits	Social work	Anti-poverty policies
<i>Guaranteeing basic security and building up basic capabilities</i>			
Health	Fee waivers; social health insurance; conditional cash transfers	Health policy; national health service	
Education	Fee waivers; conditional cash transfers	Education policies, incl. school meals	
Housing	Rent and energy subsidies	Social housing	Employment-intensive construction & infrastructure; Savings institutions
Food provision	Food stamps and consumer subsidies	Food aid	Policies for raising agricultural productivity

Source: adapted from van Ginneken (2005)

The aims of social protection and of social policies in general are – as noted in the previous section - to guarantee that people have at least a minimally accepted standard of living and also to prepare them for a constructive role in economic, social and political life. It therefore guarantees basic security and builds up basic capabilities through improved access to a variety of social services, such as health care, education, housing and food provision. Social protection mechanisms providing direct income security consist of both tax-financed social assistance and family

benefits that focus on people in need, as well as of social insurance schemes that mitigate and relieve the income shortfalls caused by a variety of social risks. The provision of income security through social protection is intimately linked not only with labour market policies, but also with the provision of a large variety of social services, such as child care, homes and social work, as well as with health care, education, social housing and food aid.

There is growing recognition that social protection policies can have a positive impact on the economic environment, both directly through fostering productivity and – more indirectly – through fostering social cohesion and social peace which are prerequisites for stable long-term economic growth (ILO, 2010). The table also brings out that employment and growth are the result of more macro- and international policies related to investments, savings as well as public finances, which are a large source of financing for social protection schemes.

Employment promotion policies are a key factor in income security and social protection, because they provide independent incomes to people and from which also social insurance contribution can be financed. Some key employment promotion policies are mentioned in the last column of table 1. They can consist of policies to stimulate small and medium enterprises and to promote employment-intensive forms of production, particularly in infrastructure and construction.

Another important area of potential synergy between social protection and economic growth is the question of (foreign) investment, competitiveness and (the employers' share of social insurance in) labour costs. According to Thompson (2005), most labour economists believe that a free market economy will eventually convert employer social insurance contributions into lower net pay for employees. Where wages, capital flows and currency values are allowed to adjust, employment opportunities will not be reduced. This is so, because differences in social insurance contribution rates will be offset by differences in real wage levels, leaving employer costs unaffected. In addition, unemployment benefits and other social benefits will make it easier for workers to accept, and cope with, employment losses caused by trade liberalization and other forms of structural change.

However, some of these potential sources of synergy do not seem to work out in the current European situation. This may be, because historical productivity advantages for Europe have eroded (van Ginneken, 2011b). New productivity advances, in the form of information technology and education, are now globally available. And many previously underdeveloped countries have improved their governance and infrastructure. Moreover, lack of political commitment for Europe and a so far uncontrollable financial sector have diverted many public resources to bail-outs.

In addition, the analytical framework used in Europe to conceptualize the interaction between social protection, employment and economic growth has been too narrow. The mainly micro-economic debate on “flexicurity” has correctly emphasized the need for more training and basic security, but it has not addressed the macro-issues of social expectations and stagnating (or at least low growth of) overall employment opportunities.

The retrenchment in growth and public resources has led to greater informalization of employment in Europe, resulting in a shrinking base for collecting taxes and social security contributions. Since social policies in Europe are mainly the responsibility of individual states, countries will have to forge new social contracts by which citizens and social actors commit themselves to responsibilities and to the respect for entitlements and rights. Given the greater internationalization of the economy and labour markets, a better integrated European (and also global!) tax coordination agency is highly needed.

### 3. The EU2020 strategy on poverty

As part of its “Europe 2020” strategy the European Council (2010) adopted as one of its five main targets, “the promotion of social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion”. The people who are at risk-of-poverty and -exclusion are defined according to three indicators: (i) below 60% of median equivalent disposable income after social transfers; in 2010 about 80 million people or 16.4 per cent of the EU-27 population belonged to this category (see table 2); (ii) material deprivation, which is defined as the population lacking four or more indicators out of nine basic expenditure situations and items<sup>1</sup> (about 40 million in 2010); and (iii) jobless household (in which no one has worked during the four week preceding the Labour Force Survey; almost 38 million in 2010) (European Commission, 2011).

**Table 2: Poverty indicators for the EU2020 strategy in EU-27 countries, 2005 and 2010 (in millions and percentages).**

Poverty indicators	Number of people		Percentages	
	(in millions)		(in %)	
	2005	2010	2005	2010
Below 60% of median equivalent disposable household income (after social transfers)	79.0	80.8	16.4	16.4
Severely materially deprived	51.7	40.0	10.7	8.1
In households with very low work intensity	39.1	37.9	10.3	10.0
At least in one of the three poverty indicators	123.9	115.7	25.6	23.4

Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/headline\\_indicators](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators) (22 August 2012)

The first indicator - measuring relative poverty within countries - shows little variation between 2005 and 2010. The same is true for the number of people in households with very low work intensity. However, between 2005 and 2010 there is a significant reduction in the number of people that are considered severely materially deprived. This is mainly due to positive developments in Eastern European countries, such as Bulgaria, Poland, Romania and Slovakia. However, in some other countries, such as Estonia, Ireland, Latvia and Lithuania, the percentage of severely materially deprived people has started to increase since 2008.

<sup>1</sup> The nine indicators measuring economic strain and enforced lack of durables are: (i) unexpected expenses; (ii) one week annual holiday away from home; (iii) arrears (mortgage or rent payments, or hire purchase instalments or other loan payments); (iv) a meal with meat or fish every other day; (v) heating to keep the home adequately warm. The four indicators on durables are: (vi) a washing machine; (vii) a colour television; (viii) a telephone; or (ix) a car.

Various analysts have pointed out the limitations of these three indicators. In an attempt to come up with one instead of three indicators Fusco, Guio and Marlier (2010) calculated the joint overlap between them, which might lead to an indicator of core poverty. However, the indicators measure quite different dimensions of relative poverty. Graaf-Zijl and Nolan (2011) for example, examine the jobless household indicator, and conclude that a distinction needs to be made between single- and multiple-adult households. One alternative – and widest possible – indicator would measure the number of people at risk of poverty or social exclusion, i.e. those that are covered by at least one of the three indicators mentioned in table 2.

Almost all EU countries have given concrete numbers as to how many people they are planning to lift out of poverty, but each of them has chosen their own definition of poverty. Germany for example intends to reduce the number of long-term unemployed by 300,000. Denmark plans to reduce the number of households with low work intensity by 22,000. Most of the countries have selected the relative poverty line as their target. France, Italy, Poland and Spain plan to reduce poverty by respectively 1.6, 2.2, 1.4 and 1.5 million people. So far, the targets add up to about 12-15 million people.

The emergence of the poverty targets for the EU2020 strategy seems to be the result of the particular constellation of political forces and opportunities before 2010 (Copeland and Daly, 2012). Mr. Barroso wanted to be re-elected as President of the Commission and needed the support of the European Parliament, while Spain (socio-democratic at that time) held the EU presidency. NGOs, and in particular the European Anti-Poverty Network (EAPN), had been clamouring for years for a more coherent European anti-poverty policy. Various countries who were not all that much in favour, such as the UK and Sweden, criticized the sole reliance on the relative poverty line, and proposed new indicators, such as on material deprivation and jobless households. However, all members reached a unique – and probably characteristic - EU gentlemen's agreement by which they were assured that the Commission would not be allowed to give country-specific recommendations on anti-poverty policies, but that it would restrict itself to guidelines.

Bradshaw and Mayhew (2010) believe that there is scope for two indicators measuring absolute or extreme poverty. One is based on deprivation indicators alone, and the other on the overlap between deprivation indicators and living on an income below a budget standard threshold. They improve on the deprivation index by including four additional indicators on the adequacy of housing<sup>2</sup>. On the basis of these two indicators they find that in 2008 the incidence of material deprivation was between 50 and 60 per cent in Romania and Bulgaria; between 30 and 40 per cent in Hungary, Poland, Lithuania and Latvia; between 10 and 30 per cent in Czech Republic, Slovakia, Slovenia, Cyprus, Estonia and Portugal; and (well) below 10 per cent in all other EU (high-income) countries.

The choice of the poverty indicators is therefore directly related to the policy environment that is considered feasible. The indicators adopted for the EU2020 strategy emphasize relative poverty, and therefore correspond to an environment

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<sup>2</sup> These four housing indicators are: (i) leaking roof; damp wall-floors-foundations; or rot in the window frames; (ii) no bath or shower; (iii) no indoor flushing toilet for sole use of the household; and (iv) lack of space (defined as an insufficient number of rooms compared to the number of persons).

where the national State is the main policy actor. However, the indicators chosen by Bradshaw and Mayhew would call for a more European-wide anti-poverty policy that would reduce inequalities between West and Eastern Europe, for example through the use of EU structural funds. The use of relative income-related poverty lines also puts the emphasis on social assistance, and does not directly address the issue of lacking basic social services.

From a rights-based point of view (van Ginneken, 2010), the aim of the European Union to lift at least 20 million people out of poverty is arbitrary, because poverty is a denial of human rights and is therefore unacceptable as such. In addition, the adoption of such an aim could result in a situation where people living in extreme and chronic poverty would not – or hardly – be affected by anti-poverty policies and programmes. For the European Union, this would mean that quantitative indicators on (extreme) poverty should be published annually and evaluated on an annual basis by the European Parliament and the Council. They could also be used for defining targets in the context of the Open Method of Coordination. EU structural fund could be used to help countries to achieve these targets, particularly in countries that have joined the Union since 2004.

#### **4. Guaranteed minimum income and the basic income approach**

Minimum income protection, such as social assistance, state pensions and family benefits – has become much more important in European countries as a general safety net of last resort and as the basic floor for the multi-pillar pension scheme. Social assistance has also become increasingly important for adults of working age, who are not or insufficiently covered by social (unemployment) insurance schemes. Van Mechelen, Marshall and Marx (2012) show that in the first phase after the economic crisis (beginning of 2008 until mid-2009), governments have generally kept up benefit levels for these groups of adults, but that benefit levels were beginning to slip in the period between mid-2009 and mid-2010. They also make the point that in general benefits have not always kept up with prices, wages or other welfare indices, and that this is likely to deteriorate in the future.

##### **4.1 GMI schemes: from national to EU-wide governance?**

Guaranteed Minimum Income (GMI) policies all have the implicit aim to fulfil social citizenship rights. They are called “universalistic” in that they are addressed to all the persons living in poverty – and “selective” in regard of the economic conditions of the individual and his/her family. The poverty lines used by these schemes are adjusted for the size and composition of the household or the family. Since these schemes are “residual” GMI benefits are intertwined with many benefits, services and policies of the social protection system as a whole.

The large majority of EU member countries have relatively simple and non-categorical systems, which provide relatively high income protection. Similar schemes in a few Eastern European countries provide relatively low income protection. A few countries, such as France, Spain, Ireland, Malta and the United Kingdom, have developed a complex network of different, often categorical, and sometimes overlapping schemes, which have been built up over time, but in effect cover most of those in urgent need of support. Three countries – Bulgaria, Greece

and Italy – have very limited, partial or piecemeal arrangements, which are in effect restricted to quite narrow categories of people and do not cover many of those in most urgent need of support (Frazer and Marlier, 2009).

The duration of the GMI benefit is generally without limit. In all countries the benefit level is “differential” in nature, in that all (or many) other sources of income are deducted from the GMI benefit. This minimum level is normally determined by the central government, but in some federal countries, such as Germany, Austria and Spain, local governments can adjust these levels according to local circumstances. Most countries apply a means-test. This means that normally other welfare payments are deducted, but in some countries educational, housing, care and invalidity allowances are not deducted. There may also be pro-forma deductions for certain property values, such as for housing. Also family-related measures and family benefits are not deducted in some countries. Finally, a proportion of (work) income may be excluded from the means-test, so as to maintain the incentive to work (Busilacchi, 2008).

There is usually a large battery of requirements for job search and vocational training. The large majority of Member States in the European Economic Area (EEA) link the right to GMI benefits to a minimum degree of commitment and effort towards job search and training as well as to accepting employment. Most Member States’ legislation prescribes that *registering as a job seeker* is mandatory, or at least that GMI right-holders are available for job offers. Some countries such as Germany, stipulate that job seekers should accept any job offered, while others, such as the Netherlands, refer to suitable employment. If the job search turns out unsuccessful various countries provide “alternative pathways” – mainly *vocational training*, but also *counselling* for people that need to change their behaviour, such as people with addictions. A variety of countries also adopt a “contractual approach” that links the GMI benefit with an integration contract. Some countries take it a step further and *involve (mainly local) public administration* and bodies to offer employment in some case oblige people to work for them. Almost all Member States’ schemes *impose sanctions* and thus penalize “reluctant behaviour or attitude”. As a result, benefits can be refused, withdrawn, suspended or reduced; these measures are usually most strict in Eastern Europe (MISSOC, 2011).

In a recent article Vandenbroucke et.al. (2012) pose the question as to whether the European Union as such should start to be involved in the governance of GMI policies. They investigate this question in relation to a proposal by the European Anti-Poverty Network (EAPN) for an EU Framework Directive on Minimum Income Protection. For the time being, this proposal has been not accepted by the European Parliament, but this may change in future in view of the deteriorating social situation.

The EAPN proposal for a binding Framework Directive would lead to a common methodology based on agreed principles (van Lancker, 2010). This shared methodology would comprise a common definition of minimum income, common criteria concerning adequacy, common guidelines for transparent up-rating mechanisms, comprehensive coverage and improved take-up, as well as for active participation of people experiencing poverty in the shaping and implementation of minimum income schemes. The EAPN also proposes the use of consensualized standard budget methodologies (Bradshaw and Mayhew, 2010), which define a

comprehensive basket of concrete goods and services necessary to be able to participate in society. The proposal would also enable individual citizens to enforce their right to an adequate minimum income, which is included in the chapter on remedies and enforcement.

There is still ample scope for individual countries to improve the poverty reduction effectiveness of their welfare systems, including social assistance, social insurance and minimum wages, and in the wider context of in-kind provision of social services. However, policies at the EU level could – at least partly - deal with the inequality of income and social benefits between the new and the old EU member states, and it might also improve the effectiveness of national policies. In particular, through the use of EU structural funds anti-poverty policies in Eastern Europe could be given additional financial support – on the condition that these countries adopt social inclusion policies in line with the proposed Framework Directive. Vandenbroucke et. al. (2012) show that the choice of a relatively low poverty line (40% of national median equivalent disposable income) could create an adequate distance between national poverty lines and minimum wage levels, so as to reduce disincentives for accepting employment.

#### **4.2 Comparing GMI with the basic income approach**

The literature on basic income (BI) mentions a large array of advantages. According to Van Parijs (2000) for example, an unconditional BI is better for the poor than a means-tested GMI, because (i) the take-up is higher; (ii) it does not create humiliation and increases control over people's life; (iii) the regular, reliable payment of the benefits cannot be interrupted; and (iv) there is no disincentive to work. Standing (2005) adds that BI could and should be promoted as a right.

How do these advantages compare with the characteristics of GMI schemes (see table 3)? This can give some indication as to why basic income schemes have not been adopted in Europe so far. The main reasons are probably that the public budget cost of basic income is high, that the employment implications are unpredictable and that GMI policies are better coordinated with other social policies. Moreover, GMI schemes have also adapted themselves, for example by including only part of labour incomes in the means-tests, so as to maintain incentives to work. Finally, through its emphasis on individuals, rather than on households, the basic income approach seems to be more focused on the liberation from work than on poverty.

**Table 3: Characteristics of Guaranteed Minimum Income and Basic Income schemes (for adults of working age).**

Characteristics	Basic Income	Guaranteed Minimum Income
Work incentives	Good for low-income workers; Less good for high-income workers (high tax rate)	Bad for low-income workers
Administrative costs	Low	High
Government budget costs	High	Low
Benefit level	Relatively low	Relatively high
Beneficiary concept	Individual	Household
Poverty reduction	Good, because of high take-up, & uninterrupted benefit flow	Better integration with other social policies, such as social insurance.
Employment effect	Unpredictable	Less good
Political environment	BI level will have a great impact on all other policies	GMI level can be determined on sound poverty criteria (basic budgets).
Right-based approach	Unconditional	Conditional

Many of these considerations have motivated BI supporters to propose a partial basic income, for example in the form of a participation income. A partial BI scheme with a relatively low benefit level would still be capable of reaching at least all people that live in extreme poverty (Busilacchi, 2005). It is normally assumed that BI schemes cover all people, but this is not necessarily the case. It is possible for example that both GMI and BI schemes would restrict coverage on the basis of nationality and residence criteria.

There is also room for more research on the non-take up of social assistance benefits. Fuchs (2009) shows in a study on Austria, Germany and Finland that the following three groups show a relatively high take-up: (i) those with a relatively high poverty gap (such as the unemployed and pensioners); (ii) living in a rented apartment and/or in metropolitan areas; and (iii) families with relatively more children. This seems to suggest that at least for groups (i) and (iii) social assistance scheme do reach the lower-income groups. Fuchs (2009) proposes more research into two directions: (i) a closer look at the quality of data on reported income; and (ii) to study the dynamic (longitudinal) behaviour of families who have just fallen into poverty and who may have to take time to set up their claiming strategy. Neither of these issues would affect the take-up of BI schemes.

## **5. The potential role for basic pensions and child benefits**

Having examined the advantages of the BI approach to income security for adults of working age, we now turn to the potential role of the basic pensions and child benefits.

### 5.1. Universal basic pensions

There are some good reasons to restrict the introduction of a universal basic income in the first place to the elderly in the European Union. The elderly depend on social transfers to stay out of poverty, in particular when other (pension) incomes are insufficient to make ends meet. In addition, in almost all member states some form of minimum income guarantee for the elderly is already in place, and they could serve as a realistic starting point for the introduction of a European universal basic pension.

The Netherlands and Denmark have the most developed basic pension schemes. They provide for each year of residence during working age respectively 2 and 2.5 per cent of the full basic pension. This unconditional full basic pension is paid to single-pensioner households, but is adjusted for households where two pensioners live together. Some other EU countries, such as Cyprus, Estonia, Latvia and Sweden, provide conditional minimum pensions that are tested for other pension incomes. Almost all other EU member states provide a means-tested minimum pension. The latter two groups of countries generally do not apply a residence test, and they top up existing incomes, so as to reach the minimum pension threshold.

Vandeninden (2012) estimated for 17 EU countries and for the year 2006 the cost of social pensions and their impact on poverty reduction. She finds that a universal top-up transfer for individual pensions that are below the individual poverty line (defined as 60% of median equivalent disposable income) would substantially decrease poverty from 19.7 to 2.5 per cent. The poverty reduction impact of the means-tested pension schemes would be similar (albeit a bit lower), since most elderly have few other income sources than pensions. However, the universal top-up-scheme would on average cost 0.88 per cent of GDP, compared with 0.27 and 0.22 per cent respectively for the individual and couple means-tested social pension scheme. We would think that the cost of a full BI pension scheme would be considerably higher, but this was not simulated in the study. All simulations have assumed that there is 100% take-up of all pension benefits. If that were not so, the costs could be considerably lower.

For designing a universal basic pension scheme in the European context, some of the following key issues will have to be considered (Goedemé and van Lancker, 2009). First of all, would the EU as such be involved in the financing and administration of such a scheme? If it were financially involved, it could help to reduce some inequalities between countries. However, whatever the financial involvement, it seems better for national governments to be in charge of the administration. Secondly, the level of minimum pensions would have to be determined in relation to the general level of income in each country. The common yardstick could be a certain percentage (40% for example) of median equivalent household income or another measure of relative poverty. It would also have to be determined in relation to the benefits provided by national social insurance pension schemes, so as not to discourage participation in these schemes. Thirdly, some residence criterion will have to be applied so as to take account of migration between countries. This would mean that retired people will receive their basic pensions from different countries in proportion to the duration of their residence in those countries.

It would be up to individual countries to decide at what age basic pensions will start to be paid out.

## **5.2. Basic child and family benefits**

With regard to children the issue is more complex. On the one hand, there is growing emphasis in European policy making on the prevention of child poverty, mainly because of the long-term effects that poverty has on the child's opportunities in later life. Therefore the case for a basic income for children seems strong, also because of the support from human rights language and in particular from the UN Convention on the Rights of the Child. On the other hand, in most European countries child benefits are mainly conceived as supplemental benefits within the context of a wide range of services and benefits, such as child care, social work, family support and parental leave arrangements as well as maternity and family benefits (see table 1).

One option might therefore be conceive basic child and family benefits in the context of GMI policies and in particular of the framework directive mentioned in section 4.1. Given the great heterogeneity between countries, a first step towards realizing the framework directive could be to give priority to measures at covering the cost of child-rearing. i.e. restricting in an initial phase to guaranteeing to all families with children an income equal to 40% of median standardized income. This would also make the initial effort for pan-European solidarity and for transfers from richer to poorer regions more bearable.

There have also been various attempts to estimate the costs of a child basic income (CBI). One of the first attempts was undertaken by Levy, Lietz and Sutherland (2006). They quantified the scale of guaranteed child payments needed to meet specific child poverty targets in the countries of EU15. They defined CBI as the sum of existing child payments, including tax concessions, topped up to meet a series of common standardized levels of per-child income. Halving child poverty rates in all Member States could be achieved with CBIs set at between 18% and 27% of national median income. They choose to meet the costs of the CBIs with a flat tax using a common EU15-wide tax rate on all non-benefit gross income. They find that countries with relatively high standards of child support tend to be net contributors. This suggests that either the top-up CBI should be nationally financed, with any cross-country subsidization using an independent mechanism, or that the CBI should not (inversely) depend on the generosity of the existing system.

## **6. Concluding remarks**

This paper has explored many dimensions of European social policy making. It has reviewed recent developments in the conceptualization of poverty and human rights - in the context of policies for social protection, employment and economic growth. It has also attempted to assess the possible impact of the Europe2020 strategy on poverty, and examined the potential contributions of Guaranteed Minimum Income and Basic Income schemes to that strategy.

There are five main conclusions and questions that are brought out by this paper.

***Greater emphasis on absolute poverty measures.*** The recent developments in the conceptualization of poverty, human rights and the social protection floor bring the absolute dimensions of poverty to the fore. This is also demonstrated by the fact that the Europe2020 strategy on poverty now also aims at reducing severe material deprivation. This development could be further promoted by adopting the budget standard threshold approach for determining poverty lines and to include housing indicators in the material deprivation index, as suggested by Bradshaw and Mayhew (2010). This paper has also criticized the link between the three poverty indicators adopted for the Europe2020 strategy and its objective to lift 20 million people out of poverty by the year 2020. The objective is arbitrary from a human rights point of view, because it is possible for the Europe2020 strategy to reach its relative poverty objective, without improving the situation of people living in extreme poverty.

The paper therefore recommends the wider ratification of two basic human rights instruments, not only by individual European countries but also – when possible - by the European Union as such. The two instruments are: (i) the Revised European Social Charter and its Additional Protocol developed by the Council of Europe; and (ii) the Optional Protocol for the UN Covenant of Economic, Social and Cultural Rights. A second recommendation is for all European countries to publish annually quantitative indicators on (extreme) poverty and to have them evaluated by national parliament. In the context of the European Union, these could also be evaluated on an annual basis by the European Parliament and the Council. They could also be used for defining targets in the context of the Open Method of Coordination.

***Towards a greater role for the EU in social policy making?*** The choice for indicators on absolute dimensions of poverty has brought out the large and increasing inequalities in Europe and the EU, mainly between East and West, but also between North and South. Moreover, the greater integration of economic policy making in the EU is likely to lead to a greater role for the EU in social policy making. The paper shows for example that in the implementation of GMI schemes, at the EU could help to reduce inequalities between countries through a different use of its structural funds.

***Broadening the conceptual framework for social policy making.*** The paper has shown that many traditional productivity advantages of Europe in the global economy have been eroded. Partly as a result, the economic outlook has deteriorated, notably in terms of government finances, employment and economic growth. Moreover, the links between social protection, employment and economic development are conceptualized in narrow and partial frameworks. This is shown for example by the debate on “flexicurity”, and also by the partial and mainly neo-classical framework within the basic income approach is conceptualized. It is most important to take account of, and exploit the various synergies among social protection policies as well as those between social and economic policies (see table 1).

***Complement GMI policies with employment guarantees?*** The comparison of the characteristics of the Guaranteed Minimum Income and Basic Income policies for adults of working age shows the inadequacy of both approaches to deal with the employment problem. The GMI approach emphasizes activation policies which may be a necessary, but not a sufficient condition for finding a job, particularly in an overall situation of stagnating or decreasing employment opportunities. The Basic

Income approach emphasizes the freedom from work and does not provide a clear conception as to how the labour market would function after the introduction of a basic income scheme. The question is also whether sufficient tax resources can be mustered to finance a basic income for everyone. One solution may therefore be to complement GMI policies with employment guarantees, for example through jobs generated by local government. This could be part of a solution for unemployment among young people. This option needs to be further examined.

*Towards partial basic incomes for children and the elderly?* Providing (partial) basic incomes for children and the elderly may be much more straightforward than those for adults of working age. The main reason is the absence (or lower incidence) of disincentive effects, in particular with regard to work and savings. However, in particular with regard to Child Basic Income, it is necessary to take account of, and exploit the synergies with, other child protection policies. Additional advantages of partial basic incomes are that the costs stay within reasonable bounds, and that disincentive effects, where they exist, would be even weaker.

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