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2022/0299 (NLE)

Proposal for a

**COUNCIL RECOMMENDATION**

**On adequate minimum income ensuring active inclusion**

{SWD(2022) 313 final}

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

**Ensuring that every person in the Union can enjoy a life in dignity is essential to build fair and resilient economies and societies.** In her political guidelines<sup>1</sup>, Commission President Ursula von der Leyen expressed an aspiration for a Europe that strives for more social fairness and prosperity. This initiative delivers on the ambition and commitment of the Union to promote more inclusive economies and ensure that no one is left behind.

**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<sup>2</sup>, worsening in the depth and persistence of poverty and a decline in the impact of social transfers on poverty reduction. Until 2020 the Union economy continued to expand, employment reached the highest level ever recorded and unemployment returned to the pre-2008 levels. The COVID-19 pandemic led however to an economic shock. The Union and the Member States stepped up social protection significantly, providing a comprehensive response to the unprecedented social challenges that arose. Nevertheless, confinement measures have had a disproportionate impact on women and people in vulnerable situations, notably in terms of the higher burden of informal care work and more limited access to healthcare, education and relevant social services, also aggravating pre-existing limitations in access to employment.

More recently, following Russia's illegal and unjustified aggression against Ukraine, the sharp increase in energy prices and hiking inflation affect in particular low- and lower middle-income households, as the share of energy and food consumption in their overall incomes is generally higher.

The fight against poverty and social exclusion and the right to adequate minimum income occupies a central role in the European Pillar of Social Rights. Principle 14 of the Pillar states that *'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'*. On 4 March 2021, the Commission adopted the European Pillar of Social Rights Action Plan, which was welcomed by the Union leaders at the Porto Summit on 8 May 2021. The European Council<sup>3</sup> set 2030 headline targets in the areas of poverty, employment, as well as in the area of skills. By 2030, the number of people at risk of poverty or social exclusion should be reduced by at least 15 million, including at least 5 million children; at least 78% of people aged 20 to 64 should be in employment; and 60% of adults should participate in training every year. In June 2022, Member States presented their national targets to support this ambition.

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<sup>1</sup> [political-guidelines-next-commission\\_en\\_0.pdf\(europa.eu\)](#)

<sup>2</sup> People aged 0-59, living in households, where working-age adults (18-59) work less than 20% of their total work potential during the past year.

<sup>3</sup>

**Social safety nets help reduce social inequalities and disparities within Member States, enhancing upward social convergence, while promoting labour market integration for those who can work.** Well-designed social safety nets aim to guarantee that everybody has a sufficient level of resources to ensure a life in dignity and be able to participate in the economic and social life, including the labour market. They are particularly important for persons living in households lacking sufficient resources, meaning those having insufficient, irregular or uncertain monetary and material resources, which are indispensable for their health and well-being and for social inclusion and labour market integration. For this purpose, social safety nets include income support and various in-kind benefits and services provided to those in need.

**Income support** consists of a spectrum of monetary benefits addressing different needs. Such monetary benefits may include for instance child and family allowances, housing benefits, unemployment benefits, disability benefits, old-age benefits or in-work benefits and also the minimum income benefits.

**Minimum income** benefits<sup>4</sup> play a special role within overall monetary income support as they aim at filling the gap to reach a certain overall level of income in the a given household. They are non-contributory and means-tested benefits of last resort to households without sufficient resources, when other sources of income or benefits have been exhausted or are not adequate to ensure a life in dignity. They are generally complemented with tailored assistance and incentives to access to labour market, measures fostering social inclusion and provision of quality services. In this way, minimum income schemes - integrating all three reinforcing strands - are not a passive tool but act, as far as possible, as a springboard to improve inclusion and employment prospects.

**Properly designed minimum income schemes, can act as automatic stabilisers.** In times of economic downturns, they can contribute to supporting a sustainable and inclusive recovery, help mitigate the drop in household incomes and contain the levels of people at risk of poverty or social exclusion. They can also have a stabilising effect on the overall demand for goods and services.<sup>5</sup> Well-designed minimum income schemes strike the right balance between poverty alleviation, work incentives and sustainable budgetary costs.

The overall level of income support should ensure a dignified life while it should always pay to work, and social protection systems should be fiscally sustainable. Minimum income needs to be accompanied with sufficient incentives to (re) enter the labour market for people who can work to play their stabilising role and avoid detrimental hysteresis effects leading to lower employment levels. Appropriately designed minimum income, together with effective labour activation measures, can be an important tool to meet the Union's 2030 employment target and also support activation of young adults and their integration to the labour market.

**As part of their social safety nets and in addition to monetary benefits, Member States also provide benefits in-kind.** These include, for example, such as social housing, reduced fees for certain services (e.g. public transport, gas, energy and other utility costs) or targeted support to cover the out-of-pocket costs of childcare or healthcare, including in maternal and

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<sup>4</sup> Minimum income benefits do not correspond to universal basic income which implies unconditional income support to all, without means testing or requirement to work.

<sup>5</sup> European Parliament 2010: Study 'The Role of Social Protection as Economic Stabiliser: Lessons from the Current Crisis'.

infant healthcare. While minimum income beneficiaries are likely to profit from those, they are not always integrated with minimum income and are not taken up by all minimum income beneficiaries. Evidence shows that the take up of some of these services (e.g. childcare) is lower for low-income households in spite of the additional support provided.

**Although all Member States have social safety nets in place, the progress in making them accessible and adequate has been uneven.** While the design varies across Member States, reflecting different national traditions and the overall architecture of social protection systems, Member States face similar challenges, as shown by the recurring European Semester country-specific analysis and recommendations. In addition, thematic discussions under the Open Method of Coordination highlighted mutual challenges, in particular on non-take up of benefits and on supporting beneficiaries to participate in the labour market and integrate in the society.

### *Challenges*

**Securing the adequacy of income support is a challenge in nearly all Member States, including on account of wage developments.** The adequacy can be measured by comparing the overall income of beneficiaries with the national poverty threshold<sup>6</sup> (as an indication of the poverty alleviation effect) and with the income of a low-wage earner<sup>7</sup> (as an indication of the financial incentives associated to labour market participation). While it varies across households, both indicators provide similar results, pointing out that low wages are close to poverty threshold and benefits stands at even lower level. In 2019, the income of a beneficiary of income support (a single person) was below 80% of the poverty threshold in 22 Member States, while the income of a low-wage earner reached or stood above the poverty threshold in all Member States. For households with children, the adequacy of income support is generally significantly higher (on average by around 10 to 20 percentage points).

Low frequency of revisions of the income support may result in benefits not keeping pace with wage developments, rises in costs of living, prices or inflation (especially of food and energy) and thus further eroding their adequacy. In a large number of Member States, setting and uprating the level of minimum income benefits is not based on a robust methodology, neither linked with statistically underpinned reference values or indicators. Automatic indexation systems that adjust the amount of income support on a regular basis to take into account changes in the costs of living is applied in around one-third of Member States.

The adequacy of income support, and in particular of minimum income benefits has remained almost unchanged on average in the Union in the last decade, in spite of a slight improvement in the recent years. Some convergence has been observed, in particular due to new minimum income schemes introduced in several Member States. On the reverse, some significant

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<sup>6</sup> Measured by at-risk-of-poverty rate (60% of median equivalised household income after social transfers).

<sup>7</sup> Within the Social Protection Committee, Member States agreed on a benchmarking framework in the area of minimum income benefits for the working age population. Three key policy levers were identified that are most likely to affect their performance: (1) adequacy of benefits, (2) eligibility rules and take-up of benefits, and (3) activation and access to services. Member States agreed on two indicators to measure the adequacy of cash income support: (i) as a share of the national at-risk-of poverty threshold in the Member State concerned; and (ii) as a share of the income of a low wage earner, defined as a person earning 50% of the average wage. The income of the low wage earner is used as a proxy for minimum wage, as minimum wage does not exist in all countries.

deterioration in terms of adequacy took place since 2009 in a number of Member States where rates were already below the Union average.<sup>8</sup>

**A second common challenge relates to coverage of minimum income, with around 20% of jobless people at risk of poverty not being eligible to receive any income support.** Certain groups face particular difficulties in having access to them. Age requirements (for example age limit is set higher than 18 years in five Member States) may limit access of young adults. While restrictions on nationality have limited impact on eligibility<sup>9</sup>, criteria related to the minimum length of legal residence (regulated in a few Member States, ranging from one to ten years) can limit access for non-national claimants. Furthermore, the obligations such as having permanent address or a bank account are obstacles for homeless people or marginalised people living in deprived areas (e.g. Roma settlements).

Whereas means testing is an essential element to ensure the appropriate targeting of minimum incomes, insufficient coverage may also arise from means testing if it is excessively severe. Means testing examines the resources - be it income, assets, real estate or movable property - of all household members. In most Member States, the threshold used in the means testing represents the maximum level of the benefit provided (and the minimum income benefits are used to top up the household's income to this level). In some Member States, if the threshold is set at a low level, means test can exclude from eligibility to minimum income an important number of low-income households and working poor. Furthermore, incomplete coverage may stem from a too stringent design of the asset test, generating situations when a household would be excluded from minimum income due to disproportionate accounting of low value assets<sup>10</sup>.

Finally, benefits might not be adequately distributed among household members, as the right to claim benefits is limited to the head of the household. In most countries, women are not usually considered as heads of households unless no adult male is living permanently in the household<sup>11</sup>. Only in few Member States, the right to receive the benefits by individuals of the households is allowed in specific cases, while eligibility remains to be determined at the household level. Without necessarily increasing the overall level of benefits received at the level of the household, solutions facilitating the receipt of income support by individual members of the household can contribute to promoting gender equality and economic independence and income security of women and young adults.

The national Recovery and Resilience Plans (RRPs) under the Recovery and Resilience Facility envisage reforms in Member States, where challenges for the adequacy and coverage of minimum were identified by the country specific recommendations issued in the European Semester process<sup>12</sup>. By way of example, a number of investments focuses on expanding or improving the quality of social services, fighting energy poverty and on the inclusion of vulnerable groups. Some RRP also aim at increasing the effectiveness and adequacy of social benefits, including minimum income.

**Thirdly, the non take-up of minimum income appears to be rather high in all Member States.** Available estimates of the non-take-up typically range from 30% to 50% of the

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<sup>8</sup> Joint Social Protection Committee–European Commission Report on Minimum Income (chart 27).

<sup>9</sup> In all Member States national citizens and citizens of another EU Member State (depending on general rules for acquiring legal residence) are eligible for minimum income.

<sup>10</sup> Such as low value inherited property or moveable assets, savings, etc.

<sup>11</sup> Source: <https://eige.europa.eu/thesaurus/terms/1126>

<sup>12</sup> In Latvia, Lithuania, Croatia, Spain, Romania and Bulgaria.

eligible population. This may be explained by various factors, such as lack of information, complexity of access, lack of trust in institutions and perception of stigma. It appears that only a few Member States gather information on the non-take up.

**Fourthly, the coordination between income support policies and incentives to (re)integrate to the labour market of those who can work remains insufficient.** Social safety nets should be designed in a way that incentives to work are ensured. In particular, the design of income support should not erode work incentives nor create poverty traps (or low-wage traps for people in work and in receipt of income support). In some cases, high withdrawal rates of minimum income benefits (also with regard to supplementary benefits) or high marginal effective tax rate might result in low incentives to take up work. While it is evident that income from work (already at minimum wage level) should be higher than income from benefits, other factors also affect the rate of transition of minimum income recipients into work (e.g. participation and quality of job counselling or other tailor-made activation measures, skills gaps, health-related issues, childcare availability, etc).

Active labour market policies encouraging the transition to employment include lifelong learning, personalised support and guidance that meet specific needs, promoting quality jobs and job retention and enabling advancement, in line with the concept of the inclusive labour markets<sup>13</sup>. Yet, in many Member States these measures are not sufficiently tailored to individual needs of beneficiaries of minimum income who are often furthest away from the labour market.

**While participation in activation programmes is a requirement in most of the Member States, adequate measures may not even be available.** Activation requirements (and related sanctions) need to be accompanied with supporting services such as counselling, coaching or job-search assistance to be more effective and to encourage the acceptance of job offers. Special attention needs to be paid to young adults outside of the labour market or being at-risk-of poverty or social exclusion. To get them back into education, training or the labour market within the shortest time possible, the receipt of income support should be linked to particularly strong activation measures supporting them in gaining work experience and developing the right skills for a changing world of work, in particular those relevant to the green and digital transitions.

Positive incentives to take up employment, supporting a progressive transition to the labour market while retaining eligibility to minimum income for certain period during employment, generally yield positive results. The quality and sustainability of offered jobs (i.e. long-lasting quality jobs) is also a challenge. Participation in public works programmes is either obligatory or the first resort option for the beneficiaries in around one-fourth of Member States, despite the fact that public works are generally considered to have little or no impact in terms of supporting longer term transitions to employment. The role of the social economy is instrumental to facilitate employment opportunities for minimum income beneficiaries. Employment in the social economy could be a stepping stone towards attachment to the open labour market.

**Fifthly, ensuring effective access to quality enabling and essential services is also a necessity.** While an exhaustive list of enabling services cannot be drawn, they typically include general enabling services provided to everyone, such as early childhood education and care, training and education, healthcare, and long-term care. A specific category of enabling services, - social inclusion services - encompasses services addressing specific problems of

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<sup>13</sup> See Commission Recommendation 2008/867/EC on the active inclusion of people excluded from the labour market.

those furthest away from the labour market to help them integrate into society and employment. Social inclusion services may include social work, counselling, coaching, mentoring, psychological support and rehabilitation. In addition, accessibility and affordability of essential services, such as water, sanitation, energy, transport, financial services and digital communications, are a fundamental prerequisite of any further social integration. Although most of those services are in principle available for the whole population, access and affordability may be problematic for people lacking sufficient resources, particularly now with current energy price hikes.

The dramatic increase in energy prices is putting pressure on vulnerable households and risks causing wider social and economic harm. In these turbulent times, having solid social safety nets contributes to mitigate the risk of energy poverty. In particular, minimum income and access to essential services can contribute to mitigate the impacts of the price hikes on the most vulnerable, while complementing other structural measures. Compared to price measures, income support measures generally allow for better targeting the support to those in need, and are more compatible with preserving incentives to reduce energy consumption.

**Sixthly, persons lacking sufficient resources face multiple and complex barriers to inclusion and thus require individualised support.** Some people are actively available to (re)enter the labour market. Some others might not be (immediately) able to work, such as people with severe disabilities or health problems, those lacking basic social skills, the homeless, or those looking after young children or dependent adults. For those people, social inclusion policies are of primary importance and may make finding a job easier at a later stage. In order to provide an individualised support, most Member States carry out multi-dimensional needs assessment. In around half of countries, it is conducted for all persons living in households lacking sufficient resources, while in a smaller group of Member States it is limited to specific groups (e.g. unemployed for a specific period) or is provided on a discretionary basis. However, only around half of Member States who carry out a multi-dimensional needs assessment offer a tailor-made inclusion plan to address the barriers to social integration, and, eventually, employment. As significant proportion of beneficiaries of minimum income is likely to be long-term unemployed, they are offered a job integration agreement, in line with the Council Recommendation on the integration of the long-term unemployed into the labour market<sup>14</sup>.

**Finally, the effective implementation of robust social safety nets is challenged by governance issues.** Key barriers include insufficient coordination between different entities due to missing standards of cooperation, lack of information exchange, shortage of skilled human capacity and low resources, including infrastructure in public employment and enabling services. These limitations also pose challenges to regular monitoring and evaluation of the effectiveness - about half of the Member States have regular monitoring mechanisms in place, while in others such practice has not been established yet.

**There are more structural challenges ahead, making a case for strong social safety nets.** The accelerating green and digital transition offers a window of opportunity to stimulate economic growth and create jobs. Well-designed, robust social safety nets can help fully realise this potential by supporting labour market transitions and more active participation of people facing disadvantage. On the other hand, the insufficient coverage by contributory-

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<sup>14</sup> Council Recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (OJ C 67, 20.2.2016).

based benefits (including unemployment benefits and future pensions), caused by growing use of non-standard employment, may create additional burdens for non-contributory schemes.

**In this context, social safety nets and minimum income in particular need to be modernised and adapted to foster social inclusion and to support people able to work in their pathways to quality employment.**

Safeguarding adequate social safety nets to protect a life in dignity has been a long-standing concern of the Union. In 1992, the Council adopted a Recommendation 92/441/EEC on common criteria concerning sufficient resources and social assistance in social protection systems<sup>15</sup>, proposing as a common objective the establishment of a minimum level of guaranteed income and principles and guidelines to attain that objective. The general principles of the framework included active availability for work or vocational training for people whose age, health and family situation so allows, and economic and social integration measures for others. The objectives of that Recommendation were reiterated and further reinforced by the Commission Recommendation 2008/867/EC on the active inclusion of people excluded from the labour market<sup>16</sup>.

Recognising the relevance of a Union-level policy response to address the current challenges, in October 2020 the Council invited the Commission to initiate an update of the Union framework to effectively support and complement the policies of Member States on national minimum income protection<sup>17</sup>. In its Resolution<sup>18</sup>, the European Parliament, called on Member States to introduce adequate minimum income, highlighting the role of minimum income protection as a tool for fighting poverty.

**Against this background and with a view to ensure a life in dignity at all stages of life, this Recommendation aims 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**, as laid down by principle 14 of the European Pillar of Social Rights. In doing so, it **aims at achieving a high level of employment** by contributing actively to the integration to the labour market of those who can work. These objectives are to be achieved without prejudice to the powers of the Member States to organise their social protection systems.

In order to reach this general objective, the specific objectives of the initiative are:

- (a) to improve the adequacy of income support;
- (b) to improve the coverage and take-up of minimum income;
- (c) to improve access to inclusive labour markets for those who can work;
- (d) to improve access to enabling and essential services;
- (e) to promote individualised support;

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<sup>15</sup> Council Recommendation 92/441/EEC on common criteria concerning sufficient resources and social assistance in social protection systems (OJ L 245, 26.8.1992).

<sup>16</sup> Commission Recommendation 2008/867/EC of 3 October 2008 on the active inclusion of people excluded from the labour market (OJ L 307, 18.11.2008).

<sup>17</sup> Council Conclusions of 12 October 2020 ‘Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond’.

<sup>18</sup> European Parliament resolution of 24 October 2017 on minimum income protection as a tool for fighting poverty (2016/2270(INI)).



- (f) to increase the effectiveness of the governance of social safety nets at Union, national, regional and local level, as well as monitoring and reporting mechanisms.

- **Consistency with existing policy provisions in the policy area**

The proposal contributes to the implementation of principle 14 of the European Pillar of Social Rights and will also further other Pillar principles such as those on “active support to employment”, “social protection”, “access to essential services”, “education, training and life long learning” and “equal opportunities”. The proposal will help achieve the headline target on poverty reduction, and its sub-target on child poverty, set in the European Pillar of Social Rights Action Plan and will support the attainment of the headline targets on employment, as well as the headline target on skills.

The proposal builds upon on the Council Recommendation 92/441/EEC on common criteria concerning sufficient resources and social assistance in social protection systems. The proposal is coherent with the existing provisions and introduces new elements where it has been considered that the Council Recommendation 92/441/EEC was insufficient and needed to evolve according to societal changes. For reasons of simplification, this proposal aims to replace the Council Recommendation 92/441/EEC, while ensuring that the acquired level of protection is not diminished.

The proposal also complements the Commission Recommendation 2008/867/EC on the active inclusion of people excluded from the labour market. Active inclusion strategies aim to help integrate those who can work into sustainable, quality employment, and to provide enough resources and support for living in dignity to those who cannot. This proposal builds on the experience and lessons learnt from the implementation of that Recommendation and offers the possibility to further develop its various elements and addressing the remaining gaps.

The proposed initiative builds on and complements the ILO Social Protection Floors Recommendation<sup>19</sup>, which provides guidance to countries in extending social protection coverage by prioritising the establishment of national floors of social protection accessible to all in need.

The European Semester process of economic and employment policy coordination has highlighted structural challenges related to minimum income schemes and related elements such as social inclusion and labour market activation, with a number of Member States receiving related country specific recommendations. The revised social scoreboard<sup>20</sup> tracks performance and trends in the Member States, enabling the Commission to monitor progress in addressing the country-specific recommendations. The 2022 guidelines for the employment policies of the Member States state that social protection systems should ensure adequate minimum income benefits for everyone lacking sufficient resources and promote social inclusion by encouraging people to actively participate in the labour market and society, including through targeted provision of social services. For strengthening analytical work, a benchmarking framework was agreed in the Social Protection Committee and its results have been reflected in the Joint Employment Report, country reports and country-specific recommendations.

In order to continuously gather such contextual information and facilitate mutual learning and exchange of practices within the Open Method of Coordination, the establishment of a

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<sup>19</sup> The ILO Social Protection Floors Recommendation, 2012 (No. 202).

<sup>20</sup> [Social scoreboard indicators - European Pillar of Social Rights - Eurostat \(europa.eu\)](#)

network of national authorities responsible for minimum incomes (MINET) has allowed a regular structured dialogue among Member States.

- **Consistency with other Union policies**

The initiative is also complementary to and consistent with a number of other Union initiatives.

The Council Recommendation on the integration of the long-term unemployed into the labour market<sup>21</sup> recommends that Member States provide individual support to long-term unemployed and encourage a better coordination of relevant services.

The Council Recommendation on access to social protection for workers and the self-employed<sup>22</sup> aims at ensuring that all of them contribute and have formal access to effective, adequate and transparent social protection systems. It aims in particular at supporting people in non-standard forms of employment and self-employment who, due to their employment status, are not sufficiently covered by contributory-based social security schemes and thus are exposed to higher economic uncertainty.

The Directive on adequate minimum wages<sup>23</sup> seeks to establish a framework to improve the adequacy of minimum wages and to increase the access for workers to minimum wage protection, thereby contributing to addressing in-work poverty and low-wage traps.

The Council Recommendation on a Bridge to Jobs – Reinforcing the Youth Guarantee<sup>24</sup> aims to ensure that all young people under the age of 30 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within 4 months of becoming unemployed or leaving formal education, thereby preventing their poverty and social exclusion.

The Council Recommendation establishing a European Child Guarantee<sup>25</sup> invites Member States to guarantee for children at risk of poverty or social exclusion free and effective access to key services crucial for their development and well-being, including through labour market integration measures for parents and income support to families and households.

The Commission Recommendation for Effective Active Support to Employment (EASE)<sup>26</sup> highlights the importance of developing and implementing coherent policy packages, including hiring and transition incentives, upskilling and reskilling, and enhanced support by public employment services.

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<sup>21</sup> Council Recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (OJ C 67, 20.2.2016).

<sup>22</sup> Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed (OJ C 387, 15.11.2019).

<sup>23</sup> Add reference once published

<sup>24</sup> Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (OJ C 372, 4.11.2020).

<sup>25</sup> Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee (OJ L 223, 22.6.2021).

<sup>26</sup> Recommendation (EU) 2021/402 of 4 March 2021 on an effective active support to employment following the COVID-19 crisis (EASE) (OJ L 80, 8.3.2021).

The Gender Equality Strategy 2019-2025<sup>27</sup> recognizes the higher proportion of women, particularly older women, in poverty, due to the gender employment and pay gaps and which, accumulated throughout life result in a wide pension gap.

The EU Roma Strategic Framework and the Council Recommendation on Roma equality, inclusion and participation<sup>28</sup> calls on Member States to fight multiple and structural discrimination against Roma, to ensure that by 2030 the majority of Roma escape poverty and to take stronger measures in the interrelated fields of income support, employment, healthcare and social services, housing and essential services.

The Strategy for the rights of persons with disabilities 2021-2030<sup>29</sup> aims to ensure, amongst others, that persons with disabilities can enjoy human rights, have equal opportunities and have equal access to participate in society and economy, as well as have adequate social protection, to ensure an adequate income for a decent standard of living of persons with disabilities and their families.

The New Skills Agenda for Europe<sup>30</sup> lays out a comprehensive plan to ensure social fairness and to facilitate access to inclusive education and training for everybody, including for the most vulnerable. The Council Recommendation on individual learning accounts<sup>31</sup>, adopted as one of the deliverables of the Skills Agenda, enables and empowers individuals to participate in labour-market relevant training and facilitates their access to or retention in employment. The proposed 2023 European Year of Skills will put further focus on skills, at all stages of life.

A Commission Communication entitled ‘A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives’<sup>32</sup> is based on the principle of affordability of the renovated housing and its accessibility, thus contributing to the goal of guaranteeing adequate housing to vulnerable population, especially through the Commission Recommendation on Energy Poverty<sup>33</sup>.

The Council Recommendation on ensuring a fair transition towards climate neutrality<sup>34</sup> sets out specific guidance to help Member States implement policy packages that ensure a fair transition towards climate neutrality in a comprehensive manner, with particular attention to vulnerable households.

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<sup>27</sup> [EUR-Lex - 52020DC0152 - EN - EUR-Lex \(europa.eu\)](#)

<sup>28</sup> Council Recommendation of 12 March 2021 on Roma equality, inclusion and participation (OJ C 93, 19.3.2021).

<sup>29</sup> <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8376&furtherPubs=yes>

<sup>30</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘European Skills Agenda for sustainable competitiveness, social fairness and resilience’, COM/2020/274 final.

<sup>31</sup> Council Recommendation of 16 June 2022 on individual learning accounts (OJ C 243, 27.6.2022).

<sup>32</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives’, COM(2020) 662 final.

<sup>33</sup> Commission Recommendation (EU) 2020/1563 of 14 October 2020 on ‘Energy poverty’, (OJ L 357, 27.10.2020).

<sup>34</sup> Council Recommendation of 16 June 2022 on ensuring fair transition towards climate neutrality (OJ C 247, 27.6.2022).

The REPowerEU Plan<sup>35</sup> calls for targeted measures to minimize volatility, keep prices in check and protect the individuals in or at risk of (energy) poverty in order to ensure long-term benefits of a fair energy transition and a swift phase-out of Russian fossil fuels.

A Commission proposal for a Regulation on an emergency intervention to address high energy prices<sup>36</sup> seeks to address the massive energy price increases by reducing electricity consumption in Member States and by sharing the exceptional profits of energy producers with those who need help the most, including vulnerable households.

The social economy action plan<sup>37</sup> helps social economy thrive, tapping into its economic and job-creation potential, as well as its contribution to a fair and inclusive recovery, and the green and digital transitions.

This proposal contributes to the objectives of the 2030 Agenda for Sustainable Development.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

### **• Legal basis**

The proposed recommendation is based on Article 292 of the Treaty on the Functioning of the European Union (TFEU) as the procedural legal basis in combination with Article 153(1) point (j) TFEU as the substantial legal basis.

Article 153(1)(j) allows the Union to support and complement the activities of Member States in the field of combating social exclusion. The proposal will contribute to this objective through promoting income support at a level allowing to have a life in dignity, combined with effective access to enabling and essential services and measures supporting labour market integration of those who can work.

Using the substantial basis of Article 153(1)(j), is limited, firstly, by Article 153(2)(a) as it allows only measures designed to encourage cooperation between Member States, excluding any harmonisation of the laws and regulations.

Further under Article 153(4) all provisions adopted pursuant to Article 153 require that the Recommendation (i) does not affect the right of Member States to define fundamental principles of their social protection systems; (ii) does not significantly affect the financial equilibrium of these systems.

### **• Subsidiarity (for non-exclusive competence)**

Employment and social protection policy remain primarily a responsibility of the Member States, in line with principle of subsidiarity.

Starting with the Council Recommendation 92/441/EEC and the Council Recommendation 92/442/EEC on the convergence of social protection objectives and policies<sup>38</sup>, the Union has

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<sup>35</sup> COM/2022/230 final, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions REPowerEU Plan.

<sup>36</sup> Proposal for a Council Regulation on an emergency intervention to address high energy prices, COM(2022) 473 final.

<sup>37</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘Building an economy that works for people: an action plan for the social economy’, COM(2021) 778 final.

<sup>38</sup> Council Recommendation 92/442/EEC of 27 July 1992 on the convergence of social protection objectives and policies (No L 245 / 49).

taken action in the area of social protection, building on a consensus that the deepening single market should be complemented by social solidarity and convergence in social protection policies between the Member States.

While all Member States have adopted reforms in the area of minimum income, evidence shows that there is scope for improvement in most of the Member States to address the identified challenges in an integrated way. Gaps in the effective delivery of minimum income and labour market activation measures increase risks to the welfare of the affected individuals and their families who endure greater economic uncertainty and reduces overall employment levels in the economy. The problem of inadequate income support and insufficient access to supporting services for a considerable share of population has negative consequences on social fairness and sustainable growth. Persistent inactivity and remaining remote from the labour market leads to skills erosion and lead to a lower-quality and less-productive workforce. This is a strong driver of social exclusion and poverty and an obstacle to the achievement of the 2030 headline targets. As shown in the Staff Working Document accompanying the proposal, the target on poverty reduction is unlikely to be reached in the coming years unless Member States strengthen their social protection and social inclusion systems, while the employment target requires more effective labour market activation policies.

Given the risk of non-action (or insufficient action), in view of the past trends and the social challenges ahead and the potential mutual learning among Member States, the Union is well placed to step up efforts and take the lead, while respecting Member States' competences in the area of social protection. The Union action can help ensure that all Member States move in the same direction at the same time, promoting upward convergence within and between Member States, resulting in more equitable and cohesive societies.

- **Proportionality**

Measures proposed in this Recommendation are proportional to the pursued objectives. The proposal supports social safety nets and minimum income already existing in Member States and complements Member States' efforts in the area of combating social exclusion and labour market integration of disadvantaged individuals. The proposed action respects Member States' practices and the diversity of their social protection systems. It recognises that different national, regional or local situations could lead to differences in how the Recommendation is implemented and allows Member States to make use of the Recommendation according to their specific context. Proportionality also played a key role in guiding the choice of the instrument.

- **Choice of the instrument**

The instrument is a proposal for a Council Recommendation, which respects the principles of subsidiarity and proportionality. It builds on the existing body of the Union law and is in line with the type of instruments available for Union action in the areas of employment and social policy. A Council Recommendation will provide Member States with specific guidance on the reform pathway, whilst leaving to discretion of Member States the adaptation of measures to national institutions and delivery models. It lays down measures to be considered by Member States and provides a strong basis for cooperation at Union level in this area, while fully respecting Member States competence in the relevant policy fields. Once adopted, the Council Recommendation 92/441/EEC will be replaced by this Recommendation.

### 3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

In 1999 the Commission submitted a report on the implementation of the Council Recommendation 92/441/EEC<sup>39</sup>. The report confirmed the essential role of minimum income as a final safety net mechanism. It concluded that the Recommendation had helped to organise and stimulate the debate between the Member States on the role and development of minimum income and that it had fostered convergence across the Member States. The report stated that notable differences remain in the way minimum incomes function; to what extent and for how long they cover essential needs and how they are linked with other measures of social and employment support.

In 2013, the Commission reviewed the implementation of the Commission Recommendation 2008/867/EC<sup>40</sup>. The assessment confirmed the validity of the active inclusion approach, but acknowledged that progress in implementing it at national level had been relatively limited. It highlighted specific challenges related to the three active inclusion strands, such as: (i) low adequacy, lack of take-up and limited coverage of income support, (ii) in-work poverty and potential disincentives arising from tax and benefits systems and (iii) a problematic access to quality services in a number of Member States, notably for Roma, migrants and people with disabilities. Furthermore, coordination challenges at local level and scattered competencies across policy levels hampered the implementation.

Another review of progress in implementing the Commission Recommendation 2008/867/EC was carried out in 2017<sup>41</sup>. The findings of that assessment underlined the importance of integrated and comprehensive policy measures for disadvantaged people. They called for a sharper focus on adequate support for the social inclusion of people who cannot work and highlighted the need for close cooperation among stakeholders and the active involvement of all relevant partners.

The results of those assessments have been taken into consideration during the preparation of this proposal.

- **Stakeholder consultations**

The Commission carried out stakeholder consultations over two periods. Between 14 January and 30 November 2020, the Commission carried out public consultation on the European Pillar of Social Rights Action Plan (including on principle 14)<sup>42</sup> that contributed to shaping the content of this proposal. Furthermore, between 5 January and 5 May in 2022, the Commission carried out targeted consultations on the initiative itself. Those consultations, mainly thematic debates, took place with social partners, civil society organisations, the Social Protection Committee and the Employment Committee, the European Economic and

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<sup>39</sup> Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the implementation of the Recommendation 91/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems (COM(1998) 774 final).

<sup>40</sup> Commission Staff Working Document Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market – Towards a social investment approach, SWD(2013) 39 final.

<sup>41</sup> Commission Staff Working Document on the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market, SWD(2017) 257 final.

<sup>42</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions The European Pillar of Social Rights Action Plan, SWD(2021)46 final.

Social Committee, the European Network of Public Employment Services, the Committee of the Regions, young people, researchers and academia. All stakeholders could participate in the call for evidence, on which 75 individual contributions and 33 position papers were submitted, mainly from civil society, citizens, as well as from business associations, academia, trade unions and public authorities.

The majority of the stakeholders was supportive of a Union initiative aimed at strengthening the current framework. Many of them reiterated that minimum incomes are interconnected with other support measures and as such should be seen as a part of broader social protection systems, which are designed and implemented at national level. A Council Recommendation providing Union-level guidance, while leaving the implementation to the Member States, was generally mentioned as the best-suited instrument. Most of the stakeholders reiterated the importance of an empowering active inclusion approach, comprising income support, inclusive labour markets, social inclusion and access to quality services. For the approach to be effective, adequate governance system should support cooperation of different actors on vertical and horizontal levels. To this end, many stakeholders reiterated the importance of local actors, including service providers and civil society organisations and recommended that these actors become part of the governance systems. On adequacy, most of the stakeholders agreed that the level of income support should be set at or above national poverty threshold to ensure a life in dignity. Most of the stakeholders pointed to the need of a robust monitoring systems to support an effective implementation of the Recommendation.

- **Collection and use of expertise**

The evidence base to underpin the initiative includes:

- An exploratory study to support the Staff Working Document entitled “Filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States’ minimum income schemes”. The aim of the study was to: (i) collect data on national minimum income across the Union; (ii) identify strengths and challenges of the effectiveness of minimum income; and (iii) assess the impacts of different measures aimed at enhancing their effectiveness, including activation and access to services.
- Modelling of impacts of selected policy options in the provision of adequate income support carried out by the Joint Research Centre.
- A benchmarking framework on minimum income agreed in the Social Protection Committee that identified three policy levers most likely to affect performance of minimum income: (i) adequacy of benefits, (ii) eligibility rules and take-up of benefits, and (iii) activation measures and access to services. The framework identified a selection of outcome, performance and policy lever indicators, including a twofold indicator for adequacy of monetary income support: (i) as a share of the national at-risk-of poverty threshold in the Member State concerned; and (ii) as a share of the income of a low wage earner, defined as a person earning 50 % of the average wage.
- Based on the benchmarking framework, the joint report of the Social Protection Committee and the Commission provides an overview of the state of play on minimum income.
- The Social Protection Performance Monitor (SPPM), which identifies annual key social trends to watch across the Union and key social challenges and good social outcomes within individual Member States.

- **Impact assessment**

The proposed instrument – a Council Recommendation – gives Member States enough leeway to determine how to best achieve the objectives of this initiative, taking into account national, regional or local circumstances. Since potential impact depends on concrete actions taken by Member States, a fully-fledged impact assessment cannot fully assess expected impact before implementation choices by Member States are made.

The accompanying Staff Working Document includes an overview of the most important challenges with regard to the performance of minimum income. It also includes an analysis of impact of possible policy reforms on poverty reduction.

- **Regulatory fitness and simplification**

Not applicable.

- **Fundamental rights**

The proposal will contribute to safeguarding the right to life to dignity (Article 1 of the Charter of Fundamental Rights of the European Union, the ‘Charter’), to social security benefits and social services, to social and housing assistance and to decent existence of those who lack sufficient resources (Article 34 of the Charter).

#### **4. BUDGETARY IMPLICATIONS**

Not applicable.

#### **5. OTHER ELEMENTS**

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Member States will regularly report to the Commission on the progress in implementation of this Recommendation. The Recommendation also establishes a period for a progressive implementation, by end-2030, of the provision relevant to the adequacy of income support. The progress reports should be discussed within the Social Protection Committee, in close cooperation with the Employment Committee and the network of Public Employment Services with regard to the access to inclusive labour markets.

Based on the national progress reports, regular joint reports of the Social Protection Committee and the Commission will be delivered at the Union level. The Commission will also regularly monitor the Recommendation’s implementation in the context of the European Semester and issues country-specific recommendations, as appropriate.

The Commission also aims to work jointly with the Social Protection Committee to further develop the benchmarking framework on minimum income schemes to underpin the monitoring of this Recommendation and to enhance the availability and comparability of relevant indicators.

The Commission aims to review actions taken in response to the proposed Recommendation, in particular with regard to their impact on the reduction of poverty and social exclusion, increasing employment and improving skills, and report to the Council by 2032. On the basis of the results of the review, the Commission may consider making further proposals.

- **Explanatory documents (for directives)**

Not applicable.



- **Detailed explanation of the specific provisions of the proposal**

Paragraph 1 indicates the objective of this Recommendation.

Paragraph 2 contains definitions, which are to be applied for the purpose of the Recommendation.

Paragraph 3 recommends Member States to develop robust social safety nets through an integrated approach which combines income support, incentives and support to (re)integrate in the labour market and access to services.

Paragraph 4 to 7 recommend Member States ensure the adequacy of income support by defining a transparent methodology for setting and reviewing the level of income support, proposing reference values to guide the assessment of adequacy and recommending annual adjustments of income support. Specifically, Paragraph 6 invites Member States to progressively achieve the adequacy of income support by 31 December 2030 at the latest.

Paragraph 8 recommends to Member States to provide for a possibility to request the income support to be provided to individual members of the household, without necessarily increasing the overall level of benefits received by the household.

Paragraph 9 recommends to Member States to ensure a comprehensive coverage of persons lacking sufficient resources by minimum income, through inter alia non-discriminatory eligibility criteria and proportionate means testing;

Paragraph 10 recommends to Member States to encourage full take-up of minimum income, including through simplifying the application procedure, reducing administrative barriers and providing accessible information to the potential recipients;

Paragraph 11 recommends to Member States to ensure appropriate incentives for minimum income recipients to (re)integrate in the labour market, and ensure inclusive labour markets and high employment rates, including through investments in human capital and skills, safeguarding incentives to work, supporting employers and facilitating working opportunities in the social economy sector;

Paragraph 12 recommends Member States to ensure effective access to enabling and essential services by safeguarding continuity of access to essential services (including energy) and addressing barriers to access to the services;

Paragraph 13 recommends Member States to develop individualized approaches to address various barriers to social inclusion and employment faced persons lacking sufficient resources.

Paragraph 14 to 15 recommend Member States to put in place effective governance and monitoring systems and to report regularly to the Commission on the implementation of the Recommendation;

Paragraph 16 invites the Commission to work further with the Social Protection Committee on the benchmarking framework on minimum income schemes and to enhance the availability and comparability of relevant data. It also recommends the Commission and the Social Protection Committee to regularly review the progress in implementing the Recommendation and to report to the Council by 2032.

Proposal for a

## **COUNCIL RECOMMENDATION**

### **On adequate minimum income ensuring active inclusion**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292, in conjunction with Article 153(1), point (j) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) With a view to ensure a life in dignity at all stages of life, this Recommendation aims at combatting poverty and social exclusion and at pursuing high levels of employment by promoting adequate income support and effective access to enabling and essential services for persons lacking sufficient resources and by fostering labour market integration of those who can work.
- (2) Pursuant to Article 151 TFEU, the Union and the Member States have as their objectives, amongst others, the promotion of employment, improved living and working conditions, proper social protection and the combating of social exclusion.
- (3) Article 1 of the Charter of Fundamental Rights of the European Union ('the Charter') recognises and respects the entitlements to social security benefits and social services. The Charter also provides that everyone residing and moving legally within the Union is entitled to social security benefits and social advantages and that, in order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance to ensure a decent existence for all those who lack sufficient resources.
- (4) Council Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems<sup>43</sup> calls on Member States to recognise the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity as part of a comprehensive and consistent drive to combat social exclusion, and recommends to adapt their social protection systems, as necessary. In view of the content of this Recommendation, it is appropriate to replace Recommendation 92/441/EEC.
- (5) Commission Recommendation 2008/867/EC of 3 October 2008 on the active inclusion of people excluded from the labour market<sup>44</sup> sets out a comprehensive strategy to facilitate the integration into sustainable, quality employment of those who can work and to provide resources which are sufficient to live in dignity, together with support for social participation, for those who cannot. This integrated approach, based on a combination of three policy strands: adequate income support, inclusive labour

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<sup>43</sup> Council Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems (OJ L 245, 26.8.1992).

<sup>44</sup> Commission Recommendation 2008/867/EC of 3 October 2008 on the active inclusion of people excluded from the labour market (OJ L 307, 18.11.2008).

markets and access to quality services, is particularly important for persons furthest away from the labour market or excluded from society.

- (6) In November 2017, the European Parliament, the Council and the Commission proclaimed the European Pillar of Social Rights, setting out 20 principles to support well-functioning and fair labour markets and welfare systems. Principle 14 states that ‘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’.
- (7) The European Pillar of Social Rights Action Plan<sup>45</sup> (‘the Action Plan’) sets out the ambition for a strong social Union. In June 2021, the European Council, in line with the Porto Declaration<sup>46</sup>, welcomed the Union social target on poverty whereby the number of people at risk of poverty or social exclusion should be reduced by at least 15 million<sup>47</sup> by 2030, including at least 5 million children. The European Council also welcomed the headline targets on employment, of at least 78% of people aged 20 to 64 in employment, and skills, of at least 60% of all adults should participate in training every year. In June 2022, Member States presented their national targets. A revised social scoreboard and a benchmarking framework on minimum income, agreed by the Social Protection Committee, strengthen the analytical underpinning of the European Semester, the Joint Employment Report and the country-specific recommendations.
- (8) The 2030 Agenda for Sustainable Development and its supportive goals underline that sustainable economic growth needs to go hand in hand with an eradication of poverty and other deprivations, a reduction of inequalities and improved access to health, education and employment.
- (9) The European Parliament, in its Resolution of 24 October 2017<sup>48</sup>, called on Member States to introduce adequate minimum income, highlighting the role of minimum income protection as a tool for fighting poverty. In its conclusions of 12 October 2020<sup>49</sup>, the Council invited the Commission to initiate an update of the Union framework to effectively support and complement the policies of Member States on national minimum income protection. During the Conference on the Future of Europe, citizens called for a common Union framework on minimum income.<sup>50</sup>
- (10) This Recommendation builds on the findings of the Commission assessments<sup>51</sup> reviewing the progress achieved in the implementation of the Commission Recommendation 2008/867/EC. The assessments confirmed the validity of the active inclusion approach, but highlighted specific challenges related, amongst others, to low

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<sup>45</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions ‘The European Pillar of Social Rights Action Plan’ (COM/2021/102 final).

<sup>46</sup> <https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/>

<sup>47</sup> Compared to 2019.

<sup>48</sup> European Parliament resolution of 24 October 2017 on minimum income protection as a tool for fighting poverty (2016/2270(INI)).

<sup>49</sup> Council Conclusions of 12 October 2020 ‘Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond’.

<sup>50</sup> Conference on the Future of Europe, report on the final outcome, May 2022, p. 58.

<sup>51</sup> Commission Staff Working Document Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market – Towards a social investment approach, SWD(2013) 39 final. Commission Staff Working Document on the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market, SWD(2017) 257 final.

adequacy, limited take-up and narrow coverage of minimum income, potential disincentives arising from tax and benefit systems and a problematic access to quality services fostering social inclusion and labour market integration. They also called for a sharper focus on adequate support for social inclusion of people who cannot work.

- (11) Despite some progress achieved in the reduction of poverty and social exclusion in the Union in the last decade, in 2021, over 95.4 million people still remained at risk and the risk was higher for women than for men. Increase in the poverty risk for people living in (quasi)jobless households and a worsening in the depth and persistence of poverty in many Member States, accompanied by declines in the impact of social transfers on poverty reduction, rise concerns. The Union and its Member States should do more to help the most vulnerable and disadvantaged people and do it more efficiently.
- (12) Quality and sustainable employment is the best way out of poverty and social exclusion. At the same time, ensuring that more people are in the labour market contributes to the financing of social protection systems and enhances their financial sustainability, contributing to intergenerational fairness and promoting social cohesion. To achieve higher employment levels, it is of paramount importance to support people in successful labour market transitions.
- (13) The social and economic advantages of adequate and targeted social safety nets became even more important during the lockdowns linked to the COVID-19 pandemic. Containment measures had a disproportionate impact on women and disadvantaged groups, notably in terms of access to healthcare, both for physical and mental health reasons, education and relevant services, also aggravating pre-existing limitations in access to employment<sup>52</sup>. The lessons learnt from the crisis also highlighted the importance of adequate, comprehensive and resilient social protection systems that are shock-responsive, preventive instruments to support recovery.
- (14) Macroeconomic trends associated with globalisation, the green and digital transitions, demographic change and changing patterns of work continue to shape the Union. Comprehensive and robust social safety nets, which ensure adequate income support and facilitate labour market transitions, including support for reskilling and upskilling, can help that those processes are just and inclusive. Changes in career patterns, paired with an increase of non-standard forms of employment, can make it more difficult for low-income people to qualify to access insurance-based social protection systems and can lead to an increased demand for alternative support measures, such as minimum income. Moreover, following Russia's unjustified and illegal war of aggression against Ukraine, the sharp increase in energy prices and subsequently in inflation is affecting low- and lower middle-income households. Income measures can be targeted to vulnerable groups and are compatible with preserving incentives to reduce energy demand and improve energy efficiency.
- (15) The focus of this Recommendation is on 'persons lacking sufficient resources' meaning persons living in households with insufficient, irregular or uncertain monetary and material resources, which are indispensable for their health and well-being and for participating in the economic and social life. For those able to work, robust social safety nets must facilitate (re)integration in the labour market through active labour market measures, support in job seeking, education and training. For everyone in need, including those who cannot work, they ensure adequate income support and enabling services. Thus, social safety nets are not a passive tool but act, as

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<sup>52</sup> Joint Employment Report 2022.

far as possible, as a springboard for socio-economic integration and upward social mobility, improving inclusion and employment prospects.

- (16) Social safety nets include an array of monetary and in-kind benefits providing income support and access to enabling and essential services. An important component of income support are minimum income benefits, defined as a non-contributory monetary benefits of last resort aiming at filling the gap to reach a certain overall level of income in a given household when other sources of income or benefits have been exhausted or are not adequate to ensure a life in dignity. Income support may also include other monetary benefits such as child and family allowances, housing benefits, unemployment benefits, disability benefits, old-age benefits or in-work benefits. It can also top up minimum pensions and income from work.
- (17) Minimum income is a key element of strategies to exit poverty and exclusion and can act as an automatic stabiliser. In times of economic crisis, it can contribute to supporting a sustainable and inclusive recovery, help mitigate the drop in household incomes and contain the levels of people at risk of poverty or social exclusion. For those who can work, minimum income comprises adequate incentives and tailored and proportionate conditionality to (re)integrate in the labour market. At the same time, minimum income should be designed alongside with work incentives to avoid hysteresis effects in the labour market and to support high employment levels.
- (18) In-kind benefits can provide targeted support for persons lacking sufficient resources to facilitate their access to specific services such early childhood education and care, in accordance with Council Recommendation establishing a European Child Guarantee<sup>53</sup>, healthcare and long-term care, social housing, employment and training.
- (19) Doing more to implement integrated, robust social safety nets has the potential not only to improve the social and health outcomes for those furthest from the labour market, but also to deliver lasting social and economic benefits for the Union, boost economic, social and territorial cohesion and result in more equitable and cohesive and resilient societies. Continued efforts are needed to improve access of low-income people to the insurance-based social protection system to help them acquire social protection rights, particularly through facilitating quality employment, and to coordinate the provision of income support under the respective schemes. These safety nets should also help increase access to health care and healthy food for those in poverty. Member States should seek to raise the effectiveness and efficiency of their social protection systems, including in supporting access to the labour market, as a whole to prevent that people fall into poverty or need to rely on minimum income in the longer run.
- (20) Although all Member States have social safety nets in place, the progress in making them accessible and adequate has been uneven. The design varies across Member States, reflecting different national traditions and the overall architecture of social protection systems, but Member States face similar challenges. While some convergence has taken place, the reforms adopted so far have not always been sufficient or their implementation has been slow, as reflected by relevant long-standing country-specific recommendations issued in the European Semester process. The national plans under the Recovery and Resilience Facility envisage support to reforms and investments in the concerned Member States to strengthen the effectiveness, design and resilience of their social protection systems, including

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<sup>53</sup> Council Recommendation (EU) 2021/1004 of 14 June 2021 establishing a European Child Guarantee (OJ L 223, 22.6.2021).

through improving the design of minimum income and ensuring upward convergence in its adequacy and coverage. Several investments also focus on fighting energy poverty and on improving access to essential services for the vulnerable households.

- (21) Income support is considered adequate when it ensures a life in dignity at all stages of life. A sound and transparent methodology for setting and adjusting income support at regular intervals, informed by relevant indicators and accounting for household's specific needs, is necessary to ensure adequacy of the overall income support. Reference values, such as the national-at-risk-of poverty threshold or methodologies based on a nationally defined basket of goods and services reflecting the cost of living in a given Member State or a region, can help guide the adequacy assessment. Adequacy can also be benchmarked against income from work, such as the income of a low-wage earner or a minimum wage earner. While it is evident that income from work (already at minimum wage level) should be higher than income from benefits, there is no evidence of significant negative impact on average on the probability to find a job for people receiving minimum income support. Given the disparities in adequacy across countries, Member States should achieve adequate levels of the overall income support in a progressive manner. Benefits need to be kept in line with inflation (especially of food and energy), rises in the costs of living and wage developments.
- (22) Eligibility criteria of minimum income may be a barrier to access by certain groups. In principle children are covered as a part of the household. However the age threshold set for claimants higher than 18 years may limit access for young adults. Restrictions related to the minimum length of legal residence can limit access for non-nationals, while the lack of permanent address makes it difficult to benefit from minimum income by homeless people or people living in deprived areas (e.g. in Roma settlements). Whereas means testing is an essential element to ensure the appropriate targeting of minimum income, insufficient coverage may also arise when a threshold for the maximum total value of income and assets during means testing is set at a low level, thereby excluding some households even if they are poor.
- (23) Gaps in the coverage by minimum income should be addressed and the continuity of coverage over different phases of life should be ensured by putting in place transparent and non-discriminatory access criteria. Age, the existence of permanent address or the requirement of disproportionately long legal residence should not form a barrier to access minimum income. The thresholds for means testing should reflect a life in dignity for different types and sizes of households in a given Member State. Low earnings from work (such as one-off or irregular incomes) should be treated proportionally in the means testing in a way that safeguards incentives to work and does not exclude claimants from drawing (possibly lower) benefits. Access to minimum income needs to be granted swiftly and the entitlement should be unlimited provided the claimants continue to meet the eligibility criteria, subject to periodical reviews.
- (24) In times of economic downturns, flexibility in the design of minimum income, including through temporarily simplified access, can play an important role to mitigate the adverse social consequences and play a stabilising role in the economy. Fiscal consolidation measures that result in the reduction of protection levels rather than improving the effectiveness of the schemes should only be used as last resort option, accompanied by a distributional impact assessment to mitigate adverse effects on the most disadvantaged.

- (25) Disproportionate administrative burden, lack of awareness or fear of stigmatisation or discrimination may cause that those eligible for minimum income do not request access to it. Avoiding fragmented schemes, ensuring overall accessibility and simplicity of the application procedures and offering administrative support to the potential claimants can increase the take-up of minimum income. Further measures are needed to ensure take up of minimum income by single-parent households, predominantly headed by women. In addition, outreach efforts should target in particular socially deprived areas and the most marginalised households, including Roma. The low accessibility of digital tools or lack of skills for their use can also constitute a barrier to effective access, including for persons with disabilities. Regular monitoring and analysis of relevant data can help understand the causes of the non-take-up and improve policy response.
- (26) While means-testing is done at household level, it often does not take into account the position of individuals within the household, potential unequal sharing of family incomes and the desire for autonomy. This particularly affects women as they are more likely to have lower incomes, lower pay and greater caring responsibilities. Without necessarily increasing the overall level of benefits received by the household, solutions facilitating the receipt of income support by individual members of the household can contribute to gender equality and to economic independence and income security of women and young adults.
- (27) Strengthening inclusive labour markets accessible for all is important to mitigate long-term dependence on income support. Activation requirements and active labour market policies can encourage higher job-search efforts and acceptance of job offers, when including supporting services such as counselling, coaching and job-search assistance and measures to ensure work-life balance. In line with Council Recommendation on a Bridge to Jobs – Reinforcing the Youth Guarantee<sup>54</sup>, particular attention should be devoted to young adults at the risk of poverty or social exclusion by getting them back into education, training or the labour market within the shortest time possible, while the receipt of income support should be linked to particularly strong activation measures. In line with the Strategy for the Rights for people with Disabilities, particular attention should also be given to the needs of persons with disabilities. Upskilling and reskilling opportunities, personalised support and guidance that meet specific needs, ensuring quality jobs, promoting job retention and enabling advancement can support the transition to employment across all ages. Regular reviews of incentives and disincentives resulting from tax and benefit systems, gradual phasing out of income support upon taking up employment or the possibility to combine it with earnings can increase the disposable income of the household, thereby contributing to making work pay, reducing in-work poverty and incentivising formal employment. At the same time, in-work benefits need to be carefully designed to avoid low-wage traps.
- (28) Employment in the social economy could be a stepping stone towards other sectors of the labour market. Facilitating transition to employment should be supported through the provision of dedicated measures to employers, accompanied by targeted financial incentives where necessary.

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<sup>54</sup> Council Recommendation of 30 October 2020 on A Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (OJ C 372, 4.11.2020).

- (29) Social inclusion services, for example social work, counselling, coaching, mentoring, psychological support and various rehabilitation schemes, and measures facilitating access to other enabling or essential services are also necessary to build robust social safety nets. Efforts should also continue to improve the quality of services, in line with the Voluntary European Quality Framework for Social Services<sup>55</sup>, and to ensure the continuity of access to essential services. Measures to address financial and non-financial barriers that hamper equal and universal access to services should also be strengthened.
- (30) A more individualised support aiming at identifying and addressing complex needs of persons lacking sufficient resources and their households can significantly contribute to their successful social and economic integration. A needs assessment should result in concluding a tailor-made inclusion plan covering persons lacking sufficient resources of a given household (individually or jointly), determining the type of support needed and agreed objectives. The support should include suitably sequenced social inclusion measures or active labour market policy measures, depending on individual situation and the availability to work, while ensuring a balance between positive incentives and activation requirements<sup>56</sup>. The job integration agreements concluded in accordance with Council Recommendation on the integration of the long-term unemployed into the labour market<sup>57</sup> can also serve this purpose and may thus be reviewed if needed to include also a wider set of enabling services for integration of persons lacking sufficient resources.
- (31) Effective governance mechanisms are key for delivering robust social safety nets. Administration of the benefits and services provision should take the advantage of the tools offered by the digital transition, while avoiding exclusion by digital divide. Efforts should be made to ensure close coordination and alignment of existing schemes and benefits, as well as their coordination with other policies. Particular attention needs to be paid to strengthening the operational capacity of all involved institutions. Data exchange and closer co-operation across different levels of governance and services, including through formal agreements or one-stop-shops, facilitate better-integrated support. Reliable monitoring and regular evaluating of policy impact, with the involvement of all stakeholders, can contribute to increased efficiency, informed policymaking and improved transparency of the national systems.
- (32) Mutual learning and exchange of best practices at Union level together with analytical work to further elaborate the existing Union benchmarking framework on minimum income, including through enhancing the availability and comparability of relevant indicators and data regularity should support Member States in the design and implementation of national reforms.
- (33) Union funds are available to support the implementation of this Recommendation. Within the European Social Fund Plus<sup>58</sup>, each Member States should allocate at least

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<sup>55</sup> A voluntary European Quality Framework for Social Services', SPC/2010/10 final.

<sup>56</sup> Evidence shows that more active job-search does lead to increased employment, while no evidence for a similar positive effect of tougher sanction rules on employment is found. See: OECD, Does Demanding Activation Work? A Comparative Analysis of the Effects of Unemployment Benefit Conditionality on Employment in 21 Advanced Economies, 1980–2012.

<sup>57</sup> Council Recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (OJ C 67, 20.2.2016).

<sup>58</sup> Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013, OJ L 231, 30.6.2021.



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.

- (34) The implementation of this Recommendation cannot be used to lower the level of protection by existing national legislation or as spelled out in the Recommendation 92/441/EEC. Member States are invited to introduce or maintain more favourable provisions than those recommended herein.
- (35) The overall sustainability of public finances and the adequate funding of minimum income are essential for their resilience, efficiency and effectiveness. The implementation of this Recommendation should not significantly affect the financial equilibrium of Member States' social protection systems.
- (36) Distributional impact assessment (hereinafter 'DIA') is a useful tool to capture the impact of budgetary measures and other reforms and investments on different income groups, including on the most disadvantaged. Thus, DIA can contribute to a more efficient and effective design of tax and benefit reforms, ensuring that no one is left behind. A Commission Communication provides guidance to Member States on how best to embed DIA in their policy-making processes<sup>59</sup>.

## HAS ADOPTED THIS RECOMMENDATION

### OBJECTIVE

- (1) With a view to ensure a life in dignity at all stages of life, this Recommendation aims at combatting poverty and social exclusion by promoting adequate income support, in particular minimum income, effective access to enabling and essential services for persons lacking sufficient resources and fostering labour market integration of those who can work, in line with the active inclusion approach.

### DEFINITIONS

- (2) For the purpose of this Recommendation, the following definitions apply:
  - (a) 'persons lacking sufficient resources' means persons living in households with insufficient, irregular or uncertain monetary and material resources, which are indispensable for their health and well-being and for participating in the economic and social life;
  - (b) 'income support' means a total of all types of monetary benefits provided to the household, including minimum income benefits;
  - (c) 'minimum income' means non-contributory and means-tested safety nets operating within social protection systems;
  - (d) 'coverage' means the entitlement to participate in minimum income as defined in the national legislation;

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<sup>59</sup> Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions 'Better assessing the distributional assessment of Member States' policies, (forthcoming).

- (e) ‘take-up’ means the proportion of persons lacking sufficient resources entitled to participate in minimum income who actually take part in them;
- (f) ‘enabling services’ means services targeting specific needs of persons lacking sufficient resources to ensure that they are able to integrate in society and, where relevant, into the labour market, including social inclusion services, for example social work, counselling, coaching, mentoring, psychological support, and rehabilitation and other general enabling services, including early childhood education and care, healthcare, long term care, education and training, and housing;
- (g) ‘essential services’ include water, sanitation, energy, transport, financial services and digital communications;
- (h) ‘effective access to services’ means a situation in which relevant services are readily available, affordable, accessible, of good quality, provided in a timely manner and where the potential users have equal access to them, are aware of their existence, as well as of entitlements to use them;
- (i) ‘inclusion plan’ means an agreement or set of agreements concluded with persons lacking sufficient resources, aiming at fostering their social inclusion and, for those who can work, their labour market integration.

#### ADEQUACY OF INCOME SUPPORT

- (3) Member States are recommended to develop robust social safety nets that guarantee life in dignity at all stages of life, combining adequate income support - including minimum income benefits and other accompanying monetary benefits- and in-kind benefits, giving access to enabling and essential services.
- (4) In order ensure adequate income support, Member States are recommended to set the level of income support through a transparent and robust methodology defined in the legislation and involving relevant stakeholders. The methodology should take into account overall income sources, the specific needs and disadvantaged situations of the households, the income of a low-wage earner or a minimum wage earner, standards of living and purchasing power, price levels and their related developments.
- (5) While safeguarding incentives to (re)integrate in the labour market for those who can work, income support should gradually increase the income of persons lacking sufficient resources, to a level which is at least equivalent to one of the following:
  - (a) the national-at-risk-of poverty threshold; or
  - (b) the monetary value of necessary goods and services, including adequate nutrition, housing, healthcare and essential services, according to the national definitions; or
  - (c) other levels comparable to the levels referred to in point (a) or (b), established by national law or practice.
- (6) Member States are recommended to achieve the adequate level of income support provided for in paragraph (5) by 31 December 2030 at the latest, while safeguarding the sustainability of public finances.

- (7) Member States are recommended to annually review and, where relevant, adjust the level of income support to maintain its adequacy, while taking into account in-kind benefits.
- (8) With a view to promoting gender equality, income security and economic independence of women, young adults and people with disabilities, Member States are recommended to ensure a possibility to request the income support to be provided to individual members of the household.

#### COVERAGE OF MINIMUM INCOME

- (9) Member States are recommended to ensure that all persons lacking sufficient resources are covered by minimum income set by law, defining:
  - (a) transparent and non-discriminatory eligibility criteria, safeguarding effective access to minimum income for young adults and regardless of the existence of permanent address, while ensuring that the length of legal residence is proportionate;
  - (b) means testing thresholds that reflect the standard of living in a Member State for different types and sizes of households and take into account the other types of incomes (and assets) of the household in a proportionate way;
  - (c) time needed to process the application, while ensuring that the decision is issued within 30 days from its submission;
  - (d) the continuity of access to minimum income as long as persons lacking sufficient resources comply with the eligibility criteria, with a regular frequency of eligibility reviews;
  - (e) simple, rapid, impartial and free of charge complaint and appeal procedures, while ensuring that persons lacking sufficient resources are informed and have effective access to such procedures;
  - (f) mechanisms that ensure that minimum income is responsive to socio-economic crises, for instance through temporarily relaxing the eligibility criteria or extending the duration of benefits.

#### TAKE-UP OF MINIMUM INCOME

- (10) Member States are recommended to encourage full take-up of minimum income through:
  - (a) reducing administrative burden, including through simplifying the application procedures and ensuring step-by-step guidance for those who need it, while paying attention to the availability of digital and non-digital tools;
  - (b) ensuring access to user-friendly, free of charge, and updated information on rights and obligations related to minimum income;
  - (c) pro-actively reaching out to persons lacking sufficient resources to raise awareness and encourage the take-up, particularly of single-parent households, including through involving relevant stakeholders at national, regional and local level;
  - (d) taking steps to combat stigmatisation and unconscious bias attached to poverty and social exclusion;

- (e) regularly assessing the non-take-up of minimum income and, where applicable, related labour market activation measures, identifying the barriers and put in place remedial actions.

#### ACCESS TO INCLUSIVE LABOUR MARKETS

- (11) With a view to promote high employment rate and inclusive labour markets, Member States are recommended to ensure labour market activation, remove barriers to (re)enter and stay in employment, support people able to work in their pathways to quality employment, ensure incentives to work, tackle in-work poverty and labour market segmentation, incentivise formal employment, fight undeclared work and facilitate working opportunities, by:
  - (a) ensuring that activation requirements provide sufficient incentives to (re)enter the labour market, while being gradual and proportionate; particular attention should be paid to young adults to direct them back into education, training or the labour market within the shortest time possible;
  - (b) improving investment in human capital through inclusive education and training policies, supporting upskilling and reskilling, particularly of those with low or outdated skills, including through cooperation with social partners;
  - (c) providing for the possibility to combine income support with earnings from work, a progressive phasing out of income support or retaining the right to income support during probation periods or traineeships and short or sporadic work;
  - (d) reviewing regularly the incentives and disincentives resulting from tax and benefit systems;
  - (e) supporting work opportunities in the social economy sector, including through the provision of practical working experience;
  - (f) facilitating transition to employment through offering measures to employers, such as recruitment incentives, (post)placement support, mentoring, counselling, promoting job retention and advancement.

#### ACCESS TO ENABLING AND ESSENTIAL SERVICES

- (12) Member States are recommended to ensure:
  - (a) effective and equal access to enabling services, including in accordance with quality principles defined in the Voluntary European Quality Framework for Social Services;
  - (b) safeguarding continuity of effective access to essential services, including energy;
  - (c) addressing financial and non-financial barriers to effective access to enabling and essential services.

#### INDIVIDUALISED SUPPORT

- (13) With a view to addressing diverse barriers of persons lacking sufficient resources to social inclusion and, for those who can work, to employment, Member States are recommended to develop an individualised approach and coordinate service provision, by:

- (a) carrying out a multi-dimensional needs assessment examining barriers to social inclusion and employment, identifying enabling and essential services necessary to address those barriers and determining the support needed;
- (b) on that basis, not later than three months from accessing minimum income drawing an inclusion plan that should
  - (1) define joint objectives and timelines;
  - (2) outline a package of support tailored to individual needs, comprising active labour market measures and/or measures fostering social inclusion;
  - (3) assign a case manager who will ensure continuous support, organise timely referrals to relevant services and regularly oversee the progress in implementation of the inclusion plan;
- (c) for persons lacking sufficient resources who are long-term unemployed, reviewing and, where necessary, adapting the existing job integration agreement in accordance with Recommendation on the integration of the long-term unemployed into the labour market<sup>60</sup> to complement it with elements of the inclusion plan referred to in point (b).

#### GOVERNANCE, MONITORING AND REPORTING

- (14) With a view of effective design and implementation of robust social safety nets at national, regional and local level, Member States are recommended to:
  - (a) avoid gaps, overlaps and fragmentation of various benefits and schemes to provide for a coherent package of income support, activation measures and enabling services;
  - (b) strengthen the operational capacity of authorities in charge of income support, employment services and providers of enabling services and enhance their cooperation, including through data sharing and promoting further integrated service models;
  - (c) empower relevant stakeholders, such as regional and local authorities, social partners, civil society organisations and social economy actors, with a view to their effective participation in the design, implementation, monitoring and evaluation of minimum income schemes;
  - (d) ensure the adequate funding of social safety nets in a manner coherent with the overall sustainability of public finances.
- (15) To better inform policy making, Member States are recommended to:
  - (a) continuously monitor the implementation of income support policies, particularly minimum income, and related labour market activation measures, of access to services, including through improving the availability and quality of relevant data across all levels of governance and through carrying out regular evaluations, and make adjustments to achieve the objectives of this Recommendation in the most efficient way;

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- (b) develop, while respecting data protection rules, mechanisms allowing to follow-up persons lacking sufficient resources with regards to their social inclusion or transition to employment;
  - (c) report every 3 years to the Commission on the progress in implementing this Recommendation; the first report should cover the results and recommendations of the evaluations referred to in point (a).
- (16) The Council welcomes the Commission's intention to:
- (a) work jointly with Member States in the Social Protection Committee to further elaborate the benchmarking framework on minimum income and enhance the availability and comparability of relevant indicators and data;
  - (b) reinforce mutual learning and dissemination of results and good practices among Member States;
  - (c) on the basis of the reports referred in paragraph 15, point (c) and within the Social Protection Committee, regularly review progress made in implementing this Recommendation, in close cooperation with the Employment Committee and the network of the Public Employment Services with regard to the access to inclusive labour markets;
  - (d) monitor progress in implementing this Recommendation in the context of the European Semester and propose, where appropriate, country-specific recommendations to the Member States;
  - (e) take stock of actions taken in response to this Recommendation, in particular with regard to its impact on reduction of poverty and social exclusion, increasing employment levels and improving participation in training, and report to the Council by 2032.
- (17) Recommendation 92/441/EEC is replaced by this Recommendation.

Done at Brussels,

*For the Council  
The President*