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The EU and Minimum Income Protection: Clarifying the Policy Conundrum

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Should the EU be involved or not in the governance of minimum income protection, and if it should, in which role precisely? This is the dual question that lies at the heart of this chapter. Saying that the question is difficult would be an understatement. We are staunch defenders of the notion that any decent society should have in place an efficient minimum income guarantee. We also believe that the EU needs to incorporate a credible social dimension into its actions. However, designing a specific role for the EU in minimum income protection entails a range of complicated problems that cannot be ignored. Sometimes one has to be brave enough to put the ideas one cherishes to the test of argument and counterargument, and hope that they will emerge all the stronger. That is what we set out to do in this chapter.

We consider the need for minimum income protection and social inclusion as uncontroversial ‘fixed points’ in this inquiry. Hence, at first sight, our discussion is confined to the role of the European versus those of the national and subnational institutions. However, the outcome entails a more fundamental normative exploration of the meaning of solidarity in Europe. The history of EU initiatives shows that the policy question at hand is not only highly complex, but also in constant flux, as described by Marx and Nelson in the introductory chapter to this book. Our reasoning on EU initiatives in the realm of minimum income protection also depends on other – rapidly changing – dimensions of the development of the European polity. The upshot of the current reinforcement of the EU’s budgetary and economic surveillance may be to change prevailing views on the legitimacy and opportunity for EU initiatives with regard to minimum income protection. Clearly, the political need for a ‘caring Europe’ is now
more urgent than ever. Our aim in this chapter is not to translate this need in practical proposals; it is to contribute to sound reasoning about practical proposals.

In the first section of this chapter we list the factors underlying the policy conundrum, as we see it. In the second, we sketch a simple conceptual classification matrix for EU initiatives in the domain of minimum income protection. The third section outlines the history of initiatives with regard to minimum income protection in the EU. Section four focuses on three contributing problems to the conundrum: the (seemingly limited) instrumental relevance of minimum income protection; the unequal burden of the redistributive effort that would be required across the EU if the Union were to impose *hic et nunc* a minimum income guarantee of 60% or 40% of the median national income in all Member States; and the impact on dependency traps, under the same hypothesis. In the fifth section we conclude, not with a final judgement, but with a synthesis of the fundamental issues at stake.

1  The Policy Conundrum

Designing a specific role for the EU in minimum income protection entails a policy conundrum that is extremely complex for at least six reasons: the economic diversity of the Member States; the architectural diversity of their social protection systems; the logic of subsidiarity; the nexus of rights and obligations in the context of minimum income protection; the complex relationship between policy input and policy outcome in this domain; and, finally, the meaning of ‘solidarity’ in the EU.

1.1. Economic diversity

The *economic diversity* among EU Member States is obvious and yet often underemphasized. Using purchasing power parities (PPP) and excluding Luxembourg as an outlier at the top end, GDP per capita in Bulgaria, the poorest of the 27 Member States, amounts to 33% of GDP per capita in the richest Member State.\(^1\) By way of comparison, GDP per capita in Mississippi, the poorest of the US states amounts to 51% of GDP per capita in the richest American state (likewise excluding as outliers at the top rich end three small or scarcely populated states, the District of Columbia, Delaware and Alaska). We may want to include the incorporated territory of Puerto Rico in the American comparison: Puerto Rico’s relative GDP per capita, so calculated, is 36%, implying that its relative position within the US is actually better than that of Bulgaria within the EU.

The European divide is even more blatant in terms of at-risk-of-poverty rates and poverty thresholds. The lowest national poverty threshold in the EU, calculated at 60% of median income on the basis of EU-SILC, is observed in Romania; using PPP, it amounts to less than one-fifth (18.5%) of the highest national poverty threshold in the EU, if we exclude both Luxembourg and Cyprus as ‘special cases’ at the top end. If we exclude Romania as a poor EU outlier, the lowest national poverty threshold, observed in Bulgaria, is equal to 31% of the

\(^1\) Using PPP, Bulgaria’s GDP per capita amounts to just 16% of Luxembourg’s. The PPP correction is huge: in euros the figures for Bulgaria’s relative GDP per capita are 11% (without Luxembourg) and 6% (with Luxembourg). The American figures quoted further in the text are in dollars and do not take account of relative price differences between American States.
highest (once more excluding Luxembourg and Cyprus).² If we were to calculate similar poverty thresholds for the US states, the relative gap would be smaller; the dispersion of state median household incomes across the US is low in comparison with the dispersion of national median household incomes across the EU.³ The EU also registers the percentage of citizens confronted with severe material deprivation, i.e. people who cannot afford at least four on a list of nine essential items⁴: in Bulgaria 35% of the population is severely materially deprived, in Romania 31%, compared to just 1.3% in Sweden. The large differences in purchasing power between the 15 ‘old’ Member States (the EU15) and the countries that have joined the EU since 2004 (the EU12) are also apparent from Figure 1. Figure 1 displays the individual incomes of all people living in Europe (that is, their equivalent net disposable household income), expressed as a percentage of the EU-wide median equivalent net disposable household income. For each income level, the figure shows the proportion of persons with an equivalent net disposable household income equal to that respective income level, within the EU15 and the EU12.⁵ About 40% of the population living in the EU15 have an equivalent net disposable household income below the EU-wide median, whereas no fewer than 90% of the population living in the new Member States have an income below the EU-wide median.

Considering the number of relative income poor, Europe as a whole does significantly better than the US. However, the dispersion of national poverty rates within the EU is much greater than the dispersion of state poverty rates within the US (Marlier et al., 2007, 69).⁶ For sure, inequality in the EU is primarily a matter of inequality within Member States.⁷ But much more so than in the US, European inequality is inequality between citizens of different Member States (Milanovic, 2011, 176). Hence, it is more difficult to conceive of the EU as a

² The poverty thresholds (60% of equivalent median household incomes) for singles, expressed in PPP, are reported in Table 4 of this chapter.
³ The coefficient of variation of median household incomes of (Member) States (i.e. the dispersion around the unweighted mean median household income, calculated as the standard deviation divided by the mean) is around 40% in the EU whereas it is about 15% in the US, indicating that the dispersion in median household incomes across US states is much lower than the dispersion in median household incomes across EU Member States. Due to data limitations we use here the median household income for the total population, without adjustment for household size. Please note that, at least for the EU, alternative procedures for calculation the median household income (that is, median equivalent household income of all inhabitants, the median household income of all inhabitants or the median household income of all households) lead to different rankings of individual countries, but do not result in strongly differing estimates of the overall dispersion of median household incomes in the EU. (calculations based on EU-SILC 2009; for the US: “Two-Year-Average Median Household Income by State: 2007 to 2010”, U.S. Census Bureau, Current Population Survey, 2008 to 2011 Annual Social and Economic Supplements, downloaded from http://www.census.gov/hhes/www/income/data/statemedian/index.html (last accessed May 2012).
⁴ The items on the list refer to the ability to (1) pay the rent, mortgage or utility bills; (2) keep the home adequately warm; (3) face unexpected expenses; (4) eat meat or protein regularly; (5) go on holiday; (6) buy a television, (7) a washing machine, (8) a car, and (9) a telephone.
⁵ Relative income levels take account of price differences between the EU Member States, since incomes are converted to purchasing power standards.
⁶ Obviously, a comparative assessment of the poverty record of the US and the EU also depends on the absolute or relative nature of the indicator; Notten and de Neubourg (2011) compare the US and the EU using absolute and relative indicators.
⁷ For a wide range of inequality indices (except the well-known Gini coefficient) the within-member state inequality accounts for at least 70% of total inequality in the EU (own calculations on EU-SILC 2009 UDB, version 2).
‘union’ that is ready for homogenizing federal social policies than in the case of the US (which, as it turns out, assigns important social policy levers to the federal US level).

1.2. Architectural diversity

The architectural diversity of social protection in general and of minimum income protection in particular is a recurring theme in this book, and we need not reiterate it here. Initiatives to streamline minimum income protection across Europe would not only challenge the diversity of minimum assistance schemes as such, but also the diversity of social insurance systems, minimum wage guarantees and industrial structures. Convention (and logic) dictates a hierarchy between social assistance benefits, first tier social insurance benefits and minimum wage floors. Raising the level of social assistance may require lifting – and even reorganizing – the entire welfare state edifice; it may also presuppose substantial change in the performance of labour markets (and in the industrial structures they are embedded in), so that they can offer sufficiently high minimum wages.

1.3. Subsidiarity

Subsidiarity constitutes the third reason why defining a specific role for the EU in the domain of minimum income protection entails a complex policy conundrum. In the EU the governance principle stating that matters are best handled by the smallest, lowest or least centralized competent authority has acquired the status of a legal principle: the Union shall only act if the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved at the Union level (art. 5.3. Treaty on the European Union). Apart from the legal principle, there is a traditional political cleavage between ‘subsidiarists’ (who would prefer to minimize direct interventions by the EU, a fortiori in the domain of social protection) and ‘federalists’ (who may, at least in principle, be open to more direct EU intervention in the social domain too). The difficulty when it comes to minimum income protection is that there is not only a general logic of subsidiarity in European legal and political debates, but, in a considerable number of Member States, there is also a prevailing domestic logic of subsidiarity in the implementation, or even in the design, of minimum income protection. In Chapter 9 of this book, Kazepov and Barberis, document ‘a converging trend towards decentralization’, which they qualify as a ‘subsidiarization process’; notably activation policies and in-kind provision are increasingly defined at the local level. In their analysis, this process does not lead to a total fragmentation: ‘as long as relevant resources are regulated and redistributed at the national level the degrees of coherence with national welfare systems are – at the local level – higher than one might expect’ (Kazepov, 2010, p71.). In other words, the extent of national ‘framing’ of minimum income protection within Member States is linked to its complete or partial funding at the national level. Conversely, this leads to the following conclusion: as long as the funding of minimum income protection is a national matter, even staunch euro-federalists cannot easily reject an appeal to national, regional and local subsidiarity.\(^8\) To put it positively, in a domain where local policy

\(^8\) This argument does not imply that any EU initiative that entails budgetary costs for Member States requires EU funding. For instance, the European Employment Strategy put pressure on a number of Member States to
responsibility is traditionally important and subsidiarization on-going, proponents of binding European initiatives on minimum income protection will have to develop specific and strong arguments to justify a degree of ‘EU framing’ without parallel EU financial responsibility. As will become apparent in Section 4 of the present chapter, this is not just a theoretical issue.

1.4. The nexus of rights and obligations

A fourth reason for the policy conundrum is related to the *nexus of rights and obligations* in the field of minimum income protection (see Chapter 8 by Timo Weishaupt in this book). Minimum income protection involves a balance between rights and obligations, such as the obligation to seek employment that falls on all those who are deemed fit to work. Political opinions diverge on this, and different conceptions of minimum income protection imply a different balance. However this balance may be defined, the practical implementation of a right to minimum income protection is influenced by contextual factors, such as the availability or not of labour market opportunities for individuals claiming minimum income protection. Hence, even apart from the fact that political opinions diverge on how best to strike this delicate balance, the nexus of rights and obligations makes it difficult to operationalize the right to social assistance at EU level without some reference, albeit implicit, to the importance of the local context, notably with regard to the labour market. For the same reason, an individual right to a minimum income, if it were defined at the EU level, would have to be formulated as a general principle to be implemented by local, regional or national agencies. That is not to say the general principle of a *right* to social assistance cannot be formulated as hard legislation, justiciable before courts; it does not mean that the EU would also have to specify the nature of concomitant individual obligations. But the tangible meaning of that right for citizens’ daily lives will crucially depend on judgements about implementation in specific contexts.

1.5. The relationship between policy input and output

Any proposal to upscale to the EU level the framing of minimum income protection must indicate which policy objectives are served by this specific instrument, i.e. it must specify the relationship between enhancing this instrument on the one hand and desirable policy outcomes in the EU on the other hand. As demonstrated below, when it comes to minimum income protection, the relationship between policy input and policy outcomes is not so straightforward as to provide a ready-made argument for its upscaling to the EU level.

1.6. The meaning of solidarity in the EU

Finally, in the fourth section of this chapter, we argue that proposals for minimum income protection to the EU level should clarify the underlying conception of EU-wide solidarity. As references to ‘European solidarity’ may carry different or even contradictory meanings, this also adds to the policy conundrum.
One may conceive of this list of six difficulties with regard to the development of an EU frame for minimum income protection as a list of six ‘obstacles to upscaling. Obstacles are not necessarily immovable or insurmountable, but in order to move or manage them, they must be clearly identified. Some of the difficulties have already been examined elsewhere in this book, notably the architectural diversity, the logic of subsidiarity within national welfare states and the nexus of rights and obligations. In the third section of this chapter, we add to these analyses by sketching the history of EU initiatives, as this is the best way to illustrate the logic of subsidiarity at the EU level. The fourth section provides illustrations of obstacles encountered, which are related to the scale of economic and social diversity in the EU, leading us to query the meaning of solidarity within the EU.

2 The Scope of EU Initiatives: A Conceptual Matrix

With a view to mapping possible ‘ways out’ of the conundrum outlined in the previous section, it is useful to classify possible EU interventions in the field of social inclusion policy on the basis of two criteria: whether or not they establish first-order governance, and whether they are defined in terms of policy inputs or outcomes. Further bifurcations may be added to this scheme (notably whether or not EU interventions create rights that individuals can claim before courts), but this two-dimensional classification suffices to illustrate the nature of the policy problem at hand.

We borrow the distinction between ‘first-order governance’ and ‘second-order governance’ from Kenneth Armstrong, who introduces it in his careful analysis of the ‘Europeanization of inclusion policy’, when discussing the future of the Open Method of Coordination (OMC). Although the expression appears as a passing remark in Armstrong’s analysis, contrasting first-order and second-order governance is illuminating for our discussion, even if it is difficult to establish a robust distinction between the two, as will become apparent. According to Armstrong, the OMC is essentially an instance of second-order governance (and should remain so):

‘(…) the OMC is not about first order governing by other means, i.e. it is not about the transmission of an EU anti-poverty strategy to the Member States, but is instead the governance of governance – monitoring and evaluating the extent to which Member States have themselves adopted a strategic approach and analysing the performance of the resulting policies.’ (Armstrong, 2010: 295).

For Armstrong, first-order governance means that the EU substitutes its own governance structures and processes for national governance structures and processes. The essence of second-order governance is that it does not substitute its own structures and processes of governing for another but rather seeks externally to influence an already constituted system of governance. When Member States define their own national objectives, but the process whereby they choose their objectives, outline their strategies and monitor results, is governed by mandatory principles issued by the EU, then such a set of mandatory principles is a clear instance of ‘second-order governance’. Consider the following example in the field of education: if the EU imposes a process whereby each Member State must choose its own
target with regard to school drop-out rates and submit a strategy to attain this self-chosen objective, we have second-order governance; by contrast, if the EU were to impose upon each Member State, that education is compulsory till the age of 18, we would have a clear case of first-order governance. The example also highlights the distinction between ‘input governance’ and ‘outcome governance’. In the realm of education, a mandatory principle concerning the age of compulsory education refers to an instrument, which is the input of a policy to reduce the number of early school leavers; an objective concerning the number of early school leavers relates only to the desired outcome and does not specify the input. The former exemplifies input governance, the latter outcome governance.⁹

Our education example seems to suggest that outcome governance ipso facto constitutes second-order governance, whilst input governance inevitably implies first-order governance. However, that is not necessarily the case. We turn to social inclusion policy, to illustrate that point. Policy instruments, such as a residual income assistance scheme, constitute the inputs of inclusion policy; the goals policy makers pursue, such as diminishing financial poverty, constitute the outcomes. So, if the EU were to oblige every Member State to provide an adequate residual income assistance scheme, on the basis of a number of criteria defining the nature of ‘adequate residual income assistance’, it would in effect be defining and organizing first-order input governance as it focusses on a specific instrument and intervenes directly in the structure of Member States’ policies. Alternatively, the EU might issue guidelines with regard to the way in which Member States must develop and follow up on their own approach vis-à-vis residual income assistance, on the basis of their own, national conception of residual income protection; this would be an example of second-order input governance at the EU level. When the EU issues guidelines with regard to the way in which Member States have to develop and follow up their own objectives with regard to the domestic evolution of financial poverty, we have second-order outcome governance at the EU level; the OMC on Social Inclusion instantiates this approach, although in a rather weak sense, with non-binding guidelines. Hence, second-order governance may focus on inputs, outcomes or both.

Would a notion of ‘first-order outcome governance’ make sense? We can indeed consider the budgetary surveillance the EU applies in the Eurozone as an attempt to implement first-order outcome governance, with strict obligations concerning the outcomes of the national budgetary processes. If an EU target substitutes for existing national targets and entails the replacement of existing processes by new processes, we are in the realm of first-order governance, in our understanding. The macro-economic surveillance with regard to external economic competitiveness of Member States may also be qualified as an attempt to organize first-order outcome governance, albeit less strict than in the budgetary domain. Would such a concept be conceivable in the domain of social inclusion? If the EU were to impose one single outcome target on the Member States with regard to social inclusion (say, the obligation that Member States cut by half the number of people living below 60% of national median income by a given date) the direct interference with social governance processes and structures in the

⁹ In the actual practice of social policy, the distinction between the ‘input’ or ‘output’ character of policies is not so neat, and it may be better to conceive of a continuum between two poles. However, in the largely unchartered territory that EU social policy constitutes, we consider this bifurcation useful.
Member States may be such that the approach qualifies as first-order outcome governance. For sure, such first-order outcome governance is not applied in the domain of social inclusion today.

In practice, we may conceive of combinations of these approaches. The adequacy of a minimum income assistance scheme can be defined and assessed in terms of the actual, empirical outcomes produced. In other words, (a degree of) input governance may be combined with (a degree of) outcome governance. In the same vein, the distinction between first-order and second-order governance should not be seen as implying a neat dichotomy: a continuum of possible combinations is conceivable. Hence, in our understanding, classifying a concrete governance system as first-order or second-order is a matter of degree. The question is: at which level of governance – the first or the second level – is the degree of obligation and precision the highest? A process in which common EU objectives are rather broad or loose, and where the principles and procedures for developing and following up on nationally defined objectives are rather precise, may be qualified as predominantly second-order governance. When objectives become binding and precise, thus effectively constraining national policy processes, elements of first-order governance are introduced. Notwithstanding the fuzzy nature of some of the distinctions applied, a simple matrix as in Table 1 adequately illustrates the argument we wish to make at this stage.

[Table 1 about here]

Our point is that moves from ‘input’ to ‘outcome’ governance (shifting from A/B to C/D in Table 1) and from ‘first-order’ to ‘second-order’ governance (shifting from A/C to B/D) may both be seen as deliberate attempts to overcome the obstacles of diversity and subsidiarity in the EU. We do not postulate a priori that first-order input governance is incompatible with diversity; that is not true. First-order input governance need not be strictly uniform in its application. (For instance, the proposal by the European Anti-Poverty Network for a European Framework Directive on Minimum Income Protection, which is discussed in the next section, envisages a definition of ‘adequacy’ that may depend on the national context. In general, any reference to a poverty threshold set at x% of national median income takes the diversity of economic development of the Member States into account.) Our argument is rather about the strategic choice that has been perceived as most promising in the EU, given the obstacles of diversity and subsidiarity, namely the choice to shift to the bottom row and/or to the right column in the matrix of policy methodologies depicted in Table 1.

Historically, this shifting pattern is clearly visible, as illustrated in the next section, where we consider the evolution from ‘harmonization’ to ‘convergence’. Activist policy entrepreneurs in the Commission and the Council openly argued that this was the only feasible pattern of development for social Europe. The first generation of guidelines of the European Employment Strategy, which fitted into the Lisbon Strategy, was an archetypal mixture of second-order input and outcome governance with a broad and flexible frame of objectives, none of which were actually enforceable. One may recall a guideline such as: ‘Member States should consider setting national targets for raising the rate of employment, in order to contribute to the overall European objectives of reaching by 2010 an overall employment rate
of 70%’; and another stating: ‘Every unemployed person is offered a new start before reaching six months of unemployment in the case of young people, and 12 months of unemployment in the case of adults (…)’. Although not enforceable, these guidelines did have some impact (see Heidenreich and Zeitlin, 2009, for an overview). Gradually the approach became stricter, with a broadly unchanged mixture of input and outcome orientations. Today’s European Employment Strategy is situated firmly in boxes B and D; one might even argue that certain elements of the European Employment Strategy are to be classified in box C, since they address national policy processes and structures in a direct and uniform way, even if they are not binding (e.g. the guideline on ‘a new start’ which we quoted). The OMC on social inclusion that was launched after the Lisbon Summit in March 2000 may be interpreted as an admission that the only way forward with a social dimension for the EU was to set up a rather loose process in box D of Table 1, i.e. relying on outcome orientations and second-order governance, with no political sanctions attached but peer pressure.

Our assertion that ‘open coordination’, as a mixture of second-order governance and outcome orientation, can be interpreted as a clever and maybe the only feasible way to overcome the policy conundrum outlined above, echoes Martin Rhodes’s analysis of employment policy in the EU. Rhodes emphasizes the diversity of industrial relations in the EU, and frames the emergence of the European Employment Strategy as largely the result of ‘efforts of the European Commission and pro-integration élites to work around member-state vetoes and to neutralize the operation of the double cleavage between ‘federalists’ and ‘subsidiarists’ and socialists/social democrats and market liberals’ (2010, p. 287). Rhodes however concludes that, in the end, rather than being a solution to the problems of diversity and subsidiarity and the ‘double cleavage’, the European Employment Strategy fell victim to the cleavages and tensions that were at the basis of its creation. Hence, second-order governance and outcome governance may be merely illusory ways out of the conundrum. The question then arises: should we go for first-order and input governance?

Borrowing from Armstrong’s conceptualization, we can reformulate the issue studied in this chapter as a set of three interrelated questions:

i. To what extent do we think second-order governance in the social domain, as it has been developing at the EU level, should and can lead to first-order governance in the field of minimum income protection?

ii. To what extent should and can first-order governance in the social domain be defined in terms of the quality of inputs rather than (only) in terms of the quality of outcomes?

iii. Is the obligation for Member States to organize an adequate minimum income scheme, guaranteeing each citizen a minimum income of at least x% of median income in his country, a feasible and desirable example of first-order input governance?10

10 In a critical comment on this way of posing the question, Jonathan Zeitlin pointed out that in his view the key question is not about first-order or second-order governance, but about the desirability and feasibility of imposing on each Member State a minimum income guarantee for its citizens of x% of median income. Our sub-questions (i) and (ii) are indeed difficult to answer in abstracto, that is, without concrete content. Zeitlin’s approach would then focus on the potential of such a proposal to contribute towards the realization of a broad framework goal, such as enabling people to secure access to the range of goods and services they need to
The phrase ‘should’ and ‘can’ in the above questions is not happenstance: both the desirability and the feasibility of alternative options have to be examined further.

3 A Brief History of Subsidiarity

From the outset, European cooperation and integration were based on subsidiarity in the social policy domain, in a fundamental sense. Subsidiarity was underpinned intellectually in the 1950s by a report by a group of experts of the International Labour Organization, under the chairmanship of Bertil Ohlin, a Swedish economist who made a pioneering contribution to the theory of international trade (International Labour Organization, 1956). The starting point was the law of comparative advantage, according to which social and economic differences between countries stimulate growth and international trade. The reasoning was that this mechanism would easily suffice for an effective improvement in social protection levels. Against the background of the major social pacts that supported the post-war development of the European welfare states, there was a confidence that the spectre of tax competition and social dumping (which the French socialists in particular saw as a threat, prompting them to argue in favour of the inclusion of social clauses in the Treaty of Rome) could be averted through national policies. In essence, this remains the basic philosophy underlying the EU to this day.

Yet the call for a ‘more social Europe’ has never died completely. Especially since the 1990s, combating poverty and providing income protection have come to the fore more prominently and consistently as specific areas for EU policy cooperation. In this context, a minimum income guarantee is a recurrent theme. We will briefly consider the main steps in this process (for more extensive overviews, see Marlier et al., 2007; 2010). This process led to a system of predominantly outcome-oriented second-order governance; but at certain stages, for instance in the early 1990s, it can be interpreted as oscillating between (soft) input and outcome governance and (soft) first-order and second-order governance. The first and second subsections focus on policy initiatives taken in the early 1990s and the Lisbon Strategy. The third subsection discusses the 2008 Recommendation on Active Inclusion and the new Europe 2020 strategy. In the fourth subsection, we present a proposal by the European Anti-Poverty Network. In the remainder of this chapter we use this proposal as an example of binding first-order input governance in the field of minimum income protection.

3.1 From ‘Harmonization’ to ‘Convergence’

European economic integration has gained momentum since the second half of the 1980s. Initially, social policy remained quietly in the background, despite several not-so-successful attempts to incorporate it into the EU agenda. After the implementation in the 1970s of three successive ‘Poverty Programmes’, with a view to describing and quantifying poverty in the EU, the European Council adopted an inconsequential resolution in 1989 in which it was participate fully in social life. (One could think of this in terms of the elements of the EU active inclusion recommendation understood as a set of experimentalist social rights; on experimentalist governance, see Sabel and Zeitlin, 2010; 2012.)
asserted that ‘combating social exclusion may be regarded as an important part of the social dimension of the internal market’ (Council, 1989, p.1). The European Social Charter of that same year was equally vague. And in the run-up to and actual establishment of the single market in 1993, all preparatory documents remained conspicuously quiet on the issue of social policy. The prevailing view was that a harmonization of social security policy was neither necessary, nor desirable, nor feasible (see Deleeck, 1987; Schmähl, 1990).

Still, with the Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems, an attempt was made to add a social dimension to the emerging single market (Ferrera et al. 2002). This recommendation calls on the Member States to ‘progressively cover all exclusion situations as broadly as possible’ and, to this end, to set a guaranteed minimum income. It also calls on the Member States to recognize the ‘basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity’ and ‘to adapt their social protection systems, as necessary’. With this in mind, the recommendation defines a number of principles and guidelines. For those able to work, the right to a minimum income is subject to ‘active availability for work or vocational training with a view to obtaining work’. The Member States are called upon to organize vocational training so as to ensure that those ‘whose age and condition render them fit to work’ would ‘receive effective help to enter or re-enter working life’. The 1992 Recommendation can be seen as a (very) soft variant of first-order input governance at the EU level.

This Recommendation subscribed to the spirit of ‘harmonization’, in the sense of aiming at greater uniformity in the systems of social security. This had, hitherto, been the prevailing intellectual approach to defining a European social agenda. In that same year, however, a new concept came to the fore, namely ‘convergence’. Indeed, another Recommendation spoke of the ‘convergence of social protection objectives and policies’. Subsequently, the notion of a harmonization of social protection systems was increasingly abandoned and replaced with that of convergence towards common objectives. On the basis of the insight that harmonization was not likely to yield substantial progress (due to its being ‘unfeasible, undesirable and unnecessary’ (Deleeck 1991)), the ambition to develop common policy instruments (such as the introduction of minimum income standards) was replaced with an ambition to develop common policy objectives (such as poverty reduction). In this new approach, it was left to the Member States themselves to decide in accordance with their own needs, requirements and preferences which policy instruments to deploy (e.g. whether to opt for an employment strategy or to increase social spending). In other words, social Europe was to be shaped by different national policies towards common European objectives, thus effectuating a shift from ‘input’ to ‘outcome’ governance.

3.2 The Lisbon Strategy, the OMC and the Social Indicators

With a view to supporting the convergence process, a number of common social objectives were agreed upon at the Lisbon Summit of March 2000, including the eradication of poverty by 2010. To this end, a loose, open policy approach was developed that was supposed to enable the Member States to learn from one another’s experiences. The Open Method of
Coordination (OMC), which had already been applied previously in the field of employment policy (Treaty of Amsterdam, 1997), was extended to the domain of social inclusion at the Nice Summit of 2000. The following year, at the Laeken Summit, a set of social indicators was defined for the purpose of measuring the progress made towards the social objectives (Atkinson et al., 2002).

The approach has often been referred to as ‘soft coordination’: common objectives are put forward, but the Member State may achieve them with a policy of their own choice. The fact that the common social objectives were formulated in rather general terms added to the soft nature of the process. The arguments in favour of this approach were manifold. Some authors emphasized the importance of ‘mutual learning’, notably Hemerijck (2012) and Sabel and Zeitlin (2010, 2012), who frame this approach as an instance of ‘experimentalist governance’. Others stressed the fact that this process would contribute to a more precise understanding of the notion of ‘a European social model’ (Vandenbroucke, 2002); in fact, in the latter approach such soft coordination had to exert intelligent counter-pressure vis-à-vis the pressures on European welfare states due to the on-going integration process and the Stability and Growth Pact. Although the objectives were often vague, in relation to social inclusion precision and quantification were introduced by means of the so-called ‘social indicators’. These indicators measure among other things the number of individuals in a country who must make ends meet on a low income, the extent of income inequality, the number of long-term unemployed, the number of households out of work, and the proportion of premature school leavers. The Member States are required to report on these indicators and to draw up a National Action Plan detailing how they intend to improve the domestic social situation (Marlier et al., 2010).

In line with the notion of an ‘objectives-oriented policy’, the indicators were originally intended for measuring social policy outcomes (rather than policy effort). The authors of the book that laid the intellectual foundation for the social indicators put it as follows: ‘...our concern is with indicators for a particular purpose at a particular stage in the development of the European Union, and it is an important feature of this process that the policies to achieve social inclusion are the responsibility of member states, under the subsidiarity principle...Member states are to agree on the objectives of policy, but they will be free to choose the methods by which these objectives are to be realized’ (Atkinson et al., 2002, p.20).

At the Laeken Summit of December 2001, a political consensus was reached on a portfolio of outcome indicators (on work, health, education, housing, income). Important in the present context is the agreement at the highest policymaking level on the setting of a European poverty line at 60% of median equivalent income in any given country. Various other indicators build on this notion, including those relating to poverty risks in jobless households, and the depth and duration of poverty risks. These income indicators are prominently present within the portfolio of indicators.

The indicators were subsequently refined and enhanced, not least thanks to the excellent work of the Indicators Sub-Group (Marlier et al., 2010). In addition to the original outcome indicators, designed to measure progress towards the common objectives, a number of policy indicators were introduced. For the purpose of the OMC Social Protection, replacement rates
for pensions were included, as was an indicator of the adequacy of social assistance benefits (by comparing them to the relative poverty line), albeit merely as a contextual variable, not as an indicator for policy evaluation.

Perhaps the introduction of these policy input indicators marks the beginning of a new phase in European cooperation in the field of social policy. They are arguably an articulation of a growing awareness that the connection between the ‘common social objectives’ and the national policies pursued had to be made more visible. The merger of the OMCs Social Inclusion and Social Protection (with pensions as one of the crucial domains) has undoubtedly facilitated this process.

### 3.3 The Recommendation on Active Inclusion and the Europe 2020 targets

With its *New Social Agenda 2005-2010*, the European Commission put the issue of national minimum income schemes back on the agenda, as part of the discourse on the need for ‘Active Inclusion’ (Frazer et al., 2010). In the *Commission recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market*, the notion of a minimum income guarantee occupies a central place. The recommendation calls on the Member States to ‘design and implement an integrated comprehensive strategy’ with a view to ‘the active inclusion of people excluded from the labour market’ through a combined strategy of adequate income support, inclusive labour markets and access to quality services. In so far as income is concerned, explicit reference is made to the criteria set out in the previously mentioned Council Recommendation of 24 June 1992. Thus, while building on the 1992 Recommendation, the 2008 Recommendation simultaneously instantiates a shift to an activation paradigm\(^\text{11}\) and is more encompassing, not least in respect of its treatment of access to services. Nonetheless, ‘the measure remains largely concerned with issues of domestic process and institutional design rather than with an attempt to be more prescriptive and certainly avoids any attempt to define or impose common minimum income guarantees’ (Armstrong, 2010: 282). The Recommendation lays down a set of principles under each of the three strands, while leaving to the Member States the actual manner of implementation of these principles in their respective national systems. Thus, the dominant thrust of the 2008 Recommendation is second-order input governance. One may say that such a recommendation mainly has a symbolic role – an instance of the ‘high politics’ that often prove so ineffective (Leibfried, 2010). However, in the process of peer review organized in the context of the OMC, the role of the Recommendation is quite important. The report by Frazer and Marlier on minimum income schemes across EU Member States testifies to the fact that such a peer review process can lead to substantial examination of the national schemes (Frazer and Marlier, 2009). Although it is extremely difficult to assess the real impact of such processes, we assume that this peer review positively influences the quality of the national policy processes. The second-order governance processes that are entertained at the EU level in this domain cannot be dismissed as trivial.

\(^\text{11}\) Space forbids to pursue a critical comment by Mary Daly, that there is a crucial paradigm shift between the 1992 Recommendation and the 2008 Recommendation.
The European Parliament, in its *Resolution of 6 October 2010*, goes one step further: it not only stresses that ‘minimum income schemes should be embedded in a strategic approach towards social integration’ but adds that ‘adequate minimum income schemes must set minimum incomes at a level equivalent to at least 60% of median income in the Member State concerned’. Some political groups also argued in favour of a European Directive on minimum incomes whereby the Member States would be compelled to introduce adequate social assistance schemes, but this proposal was rejected by the European Parliament Plenary Session. The approved Resolution merely states that the Commission should study the impact of the introduction of an adequate minimum income at the European level.

The *Europe 2020* targets are the provisional end point in the slow process of defining the European Union’s social dimension (Council, 2010). For the first time, a quantified target with regard to social inclusion has been defined and adopted at the EU level. This target is based on three indicators: the financial poverty risk, the extent of severe material deprivation (i.e. households that were unable to afford four out of nine previously determined items) and the number of individuals living in households with very low work intensity. The ambition is to reduce the number of people who are confronted with one or more of these situations by 20 million. This target, and the underlying policy approach, can be criticized on various accounts. First, as de Graaf-Zijl and Nolan (2011) argue, the relationship between the third component of this target – reducing the number of individuals in low work intensity households – and poverty risks as traditionally understood in the EU is ambiguous. A second objection might be that the target seems rather easy to reach, given the rapid decrease between 2005 and 2008 of the number of Europeans affected by ‘severe material deprivation’. Third, in response to this overall *Europe 2020* target, Member States have a choice to introduce a target of their own, which may be merely loosely connected to the *Europe 2020* target. We consider the third criticism the most relevant, as it concerns the internal logic of the *Europe 2020* project.

As a matter of fact, the target is not easy to reach but ambitious: the current trend does not at all suggest it will be met as a matter of course by 2020. Moreover, in its *Annual Growth Survey 2012*, the European Commission provides a critical progress report with regard to *Europe 2020*, pointing out – as one of several problematic areas – that the National Reform Programmes of the Member States are set to reduce the number of Europeans who are socially excluded or living in poverty by 12 million by 2020, which is well short of the 20 million target (European Commission, 2011). At the time of writing, it remains to be seen how the June 2012 European Council will eventually respond to this critical assessment. In principle, the Council can issue recommendations to Member States on account of the observation that they are not contributing sufficiently to achieving the overall target.

At this stage of the analysis we can make two observations. First, given the logic of subsidiarity, the European Union has been very cautious over the last 20 years in respect of first-order governance in the field of social inclusion. Simultaneously, however, an elaborate process of second-order governance has been launched at the level of experts and civil servants – both with regard to outcomes and inputs – the scope and depth of which should not
be underestimated.\textsuperscript{12} Second, \textit{Europe 2020} promises, at least potentially, a considerable reinforcement of this second-order governance, with a stricter follow-up at the highest political level. It formulates an integrated set of precise targets which do constrain – at least in principle – Member States’ strategic choices in interrelated areas such as education, employment and (albeit it to a lesser extent) social inclusion, whatever one may think about the intrinsic weaknesses of the headline target with regard to social inclusion. Will \textit{Europe 2020} prove to be cheap talk, or may it become a focal point for political action at the level of the European Council? At present the overall direction of European politics and policies does not warrant optimism. In the context of the financial and economic crisis all attention is focused on regaining growth and the social goals of \textit{Europe 2020} seem rather in the back seat.

3.4 The EAPN Proposal on a Binding Framework Directive

In 2010, the European Anti-Poverty Network (EAPN) proposed to complement the social OMC by an EU Framework Directive on Minimum Income, on the basis of research by Anne Van Lancker (EAPN, 2010).\textsuperscript{13} As it constitutes an intelligently crafted proposal, combining binding first-order input governance with first-order outcome governance, we will use it as our main reference for this type of approach. The proposal implies input governance since it focusses on a specific instrument (an enforceable right to a minimum income); but the quality of the instrument is defined in terms of the output it produces.

EAPN justifies this approach by referring to the positive commitments of the EU, laid down in the Charter of Fundamental Rights of the EU and the new ‘horizontal social clause’, included in the Lisbon treaty. They refer to the report by the European Network of National Independent Experts on Social Inclusion (Frazier and Marlier, 2009) that shows that the 1992 Council Recommendation and the 2008 Commission Recommendation have so far not led to the introduction of minimum income schemes in Member States that ensure an adequate income for all. They conclude that for making progress on Minimum Income, the social open method of coordination should be complemented by an EU framework directive on Adequate Minimum Income that will bind Member States, but leaves them enough flexibility to reach that goal.

The framework directive, as proposed by EAPN, would consist in two distinct principal chapters. The first chapter obliges every Member State to introduce, by 31 March 2020 at the latest, a minimum income scheme that guarantees the right to an adequate minimum income for all, in line with the 1992 \textit{Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems} and the 2008 \textit{Recommendation on active inclusion of people excluded from the labour market}. It leaves to the Member States the possibility of providing financial assistance only, or a combination of financial assistance

\textsuperscript{12} For a recent evaluation of the Social OMC and its impact on Member States’ governance procedures and policies, see Public Policy and Management Institute (2011) and Vanhercke and Lelie (2012).

\textsuperscript{13} The European Anti-Poverty Network is an independent network of non-governmental organizations (NGOs) and groups involved in the fight against poverty and social exclusion in the Member States of the European Union, established in 1990. EAPN is one of the main partners of the European institutions on the European strategy to combat social exclusion.
and support for specific costs such as food, clothing, housing etc. It also leaves to the Member States the setting of a timeline for reaching gradually the amount of minimum income necessary for a decent living.

The second chapter of the EAPN proposal defines ‘work-in-progress’: it describes what should be the EU process leading to a common methodology based on agreed principles for the design of ‘Adequate Minimum Income Schemes’, including common standards of adequacy. This shared methodology should comprise a common definition of minimum income, common criteria concerning adequacy, common guidelines for transparent up-rating mechanisms, comprehensive coverage and improved take-up, as well as for active participation of people experiencing poverty in the shaping and the implementation of minimum income schemes. The methodology should also contain an improved system of comparison and monitoring based on an enhanced role of the Mutual Information System on Social Protection (MISSOC). In establishing the common criteria concerning adequacy, Member States should build on the existing at-risk-of-poverty threshold as defined by the EU in the context of the social OMC, but also go beyond it.

One promising method of determining adequacy of minimum income, according to EAPN, is the use of consensualized standard budget methodologies (e.g. Bradshaw, 1993, Warnaar and Luten, 2009). To devise realistic budgets that enable people to live a life in dignity, the consensualized budget standard methodology should define a comprehensive basket of concrete goods and services, necessary to be able to participate in society. It should be established through a participatory approach that consensualizes the budget standard, including people experiencing poverty, NGOs who represent them and other stakeholders. In order to guarantee that the budget standard methodologies in the Member States meet the intended quality standards, a peer review has been organized with those Member States that already have such budget methodologies in place, in order to define a common approach14. Nonetheless, some questions and challenges remain in the construction of cross-nationally comparable budget standards (Storms et al., 2011a,b). More specifically, the amount set for a national minimum income allowing a decent life for all should not be below the national poverty threshold as defined in the OMC (60% of the national median income). Member States should recognize this at-risk-of-poverty threshold as a landmark and an intermediate step towards raising minimum income amounts to a level allowing a dignified life. Ensuring that the combined effect of their minimum income provisions and other policy measures are sufficient for lifting all persons above the poverty threshold would be a relevant intermediate objective on Member States’ roadmaps towards adequate minimum income schemes for a dignified life, according to EAPN.

The EAPN proposal would enable individual citizens to enforce their right to an adequate minimum income. Consideration is given to the introduction of a chapter on remedies and enforcement, that guarantees the protection of rights to all persons who consider themselves to have been wronged by a lack of access to adequate minimum income and that allows organizations with a legitimate interest in the fight against poverty to provide assistance to

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those persons with judicial and administrative procedures, as is the case with all equality and non-discrimination directives.

We believe EAPN is right in arguing that reference budget standards are likely the most adequate approach to defining adequate minimum income; the EU’s 60% poverty threshold may indeed underestimate the extent and significance of poverty in the poorer EU Member States (see Storms et al. (2011a), Cantillon and Van Mechelen (2012) and Goedemé and Rottiers (2011), for an elaboration of the argument on the interplay between relative poverty measures and budget standards). Simultaneously, putting forward the 60% threshold as a merely intermediate objective, to be bettered by reference budget standards, makes the proposal highly ambitious, despite its flexible and gradual notion of ‘work-in-progress’ to be performed by the Member States. In the following section, we will examine the difficulties entailed by this type of proposal, as if the intermediate objective were the final objective, i.e. as if the standard of adequacy were 60% of national median income.

Importantly, EAPN and Van Lancker argue that their proposal has a robust legal base in the treaties (in TFEU, the Treaty on the Functioning of the Union, art. 153, 1, h). Relying on this article implies two limitations. First, this legal basis does not allow the framework directive to deal with minimum levels in social security systems or with minimum wages. However, EAPN argues that progress in the situation of minimum income is likely to be a catalyst for progress in the field of social security and minimum wages. A further limitation due to the application of article 153,1,h TFEU as a legal base is that the framework directive will deal only with people ‘excluded from the labour market’, i.e. people who are work-able but do not have a job, not people who cannot work for whatever reasons (age, caring responsibilities, health difficulties…). Still, EAPN expects progress in the field of minimum income for ‘people excluded from the labour market’ to work as a catalyst for progress in relation to a minimum income for all. Defining minimum standards for the adequacy of income assistance, even if it only targets directly a subset of the relevant population and social policy instruments, may indeed exert upward pressure on the overall quality of social protection. Admittedly, the argument is intuitive and we do not have robust evidence to support it; yet this seems a relevant argument in favour of the EAPN approach if it could be effectively implemented. Simultaneously, however, the interference between social assistance, first tear social insurance and minimum wages is one of the reasons why it is difficult to take an EU-wide initiative with regard to minimum income assistance: such an initiative would be confronted with the considerable diversity in the social architecture of the Member States.

EAPN’s legal argument has been scrutinized carefully by Verschueren (2012), who highlights the fact that the combined provisions of the TFEU do not allow the adoption of minimum requirements in the field of ‘combating social exclusion’, and who also mentions the limited scope of ‘persons excluded from the labour market’. Verschueren deems uncertain the legal and, even more so, the political feasibility of a directive on minimum income that is legally binding for the Member States. We will not pursue his argument further here, and will focus instead on some of the non-legal obstacles listed in the introduction to this chapter.
4 A Legally Binding Minimum Income Guarantee: Three Interrogations

In this section we revisit the reasons why upscaling minimum income protection to the EU level presents such a formidable policy conundrum. First, we examine the link between the envisaged policy input – an adequate income assistance scheme – and poverty outcomes. This examination underscores the need for a careful formulation of the argument in favour of an EU initiative on minimum income protection. Subsequently, we illustrate two basic difficulties that emerge when organizing EU first-order input governance on minimum income protection on the basis of a precise, quantified notion of adequacy. The first difficulty is linked to the very uneven level of development across the EU. The second difficulty is connected to the issue of activation. Both difficulties are articulations of the economic and architectural diversity characterizing the EU.

4.1 The (Seemingly Limited) Instrumental Relevance of Minimum Income Protection

We assume that social assistance schemes play an important role in the fight against poverty, either directly in the shape of income support to society’s poor or indirectly as a safety net under the overall structure of the social protection system. Yet, the argument in favour of a binding European framework on minimum income protection – as a case of first-order input governance – is not so straightforward, since the link between input and outcome is complex in this domain.

To examine this issue, we use as an overall indicator for Member States’ ‘social assistance benefit generosity’ (further abbreviated as ‘benefit generosity’) the unweighted average of the ratio of the net social assistance benefit package (including taxes, social contributions, housing allowances and child benefits) and the median equivalent household income for five model families, excluding elderly persons15: a single person household, a couple, a couple with two children (aged 7 and 14), a lone parent with two children (aged 7 and 14) and a lone parent with a child under the age of three (see Van Mechelen et al., 2011; see also chapter 2 in this volume)16. We calculate the correlation between these national benefit generosity indicators and national indicators for:

i. at-risk-of-poverty rates based on a poverty threshold of 60% or 40% of the national median equivalent household income (abbreviated as AROP60-ALL and AROP40-ALL) for the total population under the age of 60;

ii. the normalized poverty gap ratio (FGT1)17 for the total population under the age of 60;

15 It is in principle possible to reiterate the first part of the analysis that follows for the elderly. However, the concept of ‘poverty reduction by transfers’ which we use in the last part of this analysis (point iv, below), is questionable when applied to pension transfers.
16 An alternative is to calculate the average social assistance benefit for a representative sample of households on the basis of a micro-simulation model. However, at the moment of writing existing micro-simulation models like EUROMOD allowed to calculate such average social assistance benefits for only about half of the EU Member States. The scope of EUROMOD will be extended to all EU Member States in the near future.
17 The normalized poverty gap ratio is equal to the total gap between the incomes of the poor and the poverty threshold as a proportion of the poverty threshold, divided by the total population.
iii. AROP60 and AROP40 for individuals living in households with a very low work intensity, i.e. realising only 20% or less of their full-time full-year work potential (abbreviated as AROP60-WI and AROP40-WI)\(^{18}\);

iv. the degree of poverty reduction through social transfers, i.e. the difference between ‘post transfer’ AROP and ‘pre transfer’ AROP, where the latter measure is obtained by excluding social transfers (pensions excepted) from the respondents’ incomes (POVRED60 and POVRED40).

With these correlations we do not pretend to reveal causality. We merely test whether or not there is a relevant association between poverty reduction and poverty outcomes on the one hand and benefit generosity on the other.\(^{19}\) As a matter of fact, one should not expect these correlations to be strong. First of all, if the guaranteed minimum income is below the poverty threshold, the poverty headcount calculated on the basis of that threshold will not be affected by the minimum income guarantee, since we conceive of it as a truly residual instrument.\(^{20}\) However, even if the guaranteed minimum income is above the poverty threshold, many other factors have to be taken into account: which sources of income (assets and liabilities) are eligible for the means test? Which behavioural requirements and conditionalities apply? How will take-up of the minimum income benefit be assured (or maximized)? These factors mainly affect the poverty headcount (AROP-ALL and AROP-WI). Nevertheless, one may expect the correlation between benefit generosity and the poverty headcount for individuals living in households with very low work intensity (AROP-WI) to be relatively strong in comparison to the correlation with AROP-ALL. One may also expect the correlation between the minimum income level and the normalized poverty gap ratio (FGT1) to be stronger than with a poverty headcount, especially if non-take-up and sanctions are not widespread (or do not correlate positively with benefit generosity). This is due to the fact that, even if the minimum income level were below the poverty threshold, it would still reduce the income gap between the poverty thresholds and the income of households below the poverty line (on the FGT indices, see Foster et al., 1984; Decancq et al., forthcoming).

In practice, however, non-take-up is substantial and varies between countries (e.g. Hernanz et al., 2004; Fuchs, 2009). In addition, as has been documented in this volume, conditionalities and sanctions, means tests and units of assessment differ cross-nationally and implicit equivalence scales vary strongly between countries. On top of this, measurement problems in relation to both benefit generosity and poverty further blur the picture. For one thing, in some countries (non-)discretionary top ups (such as for housing, heating, health etc.) may impact

\(^{18}\) This measurement of work intensity plays a central role within the Europe 2020 strategy (for an extensive overview of work intensity indicators: see Vandenbroucke and Corluy, forthcoming).

\(^{19}\) Erik Schokkaert pointed out that it is questionable whether one can learn much from correlations between benefit generosity and post-transfer poverty indicators as such. In the extreme case that post-transfer poverty is zero in each Member State, correlations with post-transfer poverty are also zero; nevertheless one could not ascertain on this basis that benefits would not contribute to the elimination of poverty.

\(^{20}\) At least, not to the extent that the income definitions used in minimum income schemes correspond to the income definitions used to measure poverty. Since more often than not income definitions used in minimum income schemes deviate from income concepts used for measuring poverty (different units of assessment, implicit equivalence scales, different sources of income taken into account, income disregards applied in means tests (but not in the measurement of poverty),…), some correlation may be found, even if minimum income benefit levels are below empirical poverty lines.
considerably on the social assistance amounts people receive (Van Mechelen et al., 2011). Furthermore, as is documented in Chapters 5 and 7 of this volume, some countries may have more (or less) generous categorical minimum income schemes for specific groups (such as immigrants, the disabled or the elderly) or they may restrict social assistance to specifically targeted groups. At the same time, discretionary benefit reductions, limits on the duration of social assistance, cross-national differences in housing costs and tenure status, as well as household composition, mean that indicators of benefit generosity on the basis of model family simulations may be more representative for one country than for another. Last but not least, large-scale income surveys such as EU-SILC, are also prone to measurement errors (see Van Kerm, 2007; Verma and Betti, 2010). Consequently, only a weak negative correlation may be expected between the number of people below the poverty line (AROP) and benefit generosity, and a slightly stronger negative correlation between benefit generosity and the normalized poverty gap ratio (FGT1).\textsuperscript{21}

The foregoing arguments are corroborated by the fact that the number of social assistance recipients is relatively low in the EU, (below 3% in most Member States, Van Mechelen et al., 2011; see also Bahle et al., 2011). Indeed, non-means-tested benefits usually play a much larger role in poverty reduction than means-tested benefits, especially in the Scandinavian countries (Sainsbury and Morissens, 2002; Nelson, 2004). In a number of countries poverty outcomes may therefore first and foremost reflect the effectiveness of the non-means-tested provisions.

[Table 2 about here]

[Figure 2 about here]

Table 2 and Figure 2 display our main results. Table 2 shows that the correlation between benefit generosity in social assistance and AROP60-ALL is weak. Using the stricter 40% thresholds, the correlation (with AROP40-ALL) becomes stronger, though it is not particularly strong. On the one hand, Figure 2 shows that many countries with the index of average benefit generosity vis-à-vis median income below 40% indeed have the largest proportions of persons under this income threshold (see Bulgaria, Romania, Estonia, Spain, Portugal, Poland). In Greece, too, poverty risks are comparatively high. However, Greece is excluded from Figure 2 due to the lack of a real safety net. On the other hand, countries such as the Czech Republic, Hungary and Slovenia, which are not generous either, report low poverty rates. Ireland, despite having much more generous benefit levels to Austria or Finland, similarly has a comparable poverty rate. Within the group of the ‘old’ European Member States, we find a significant and stronger correlation with AROP40-ALL, but not with AROP60-ALL.

The relationship between minimum income levels and the normalized poverty gap ratio (FGT1, calculated with a 60% threshold) is somewhat stronger, but it remains weak. It may be

\textsuperscript{21} Next to these observations, an even more fundamental observation is that the overlap between individuals receiving social assistance, on the one hand, and individuals who are considered poor under various definitions of poverty, on the other hand, may be limited in a number of countries, as shown by Swedish data (Halleröd, 1991; on the relation between income poverty and other welfare problems, see Halleröd and Larsson, 2008).
argued that the correlation to be established is not between overall at-risk-of-poverty rates and benefit generosity, but between the *reduction* in poverty thanks to transfers and benefit generosity. Looking at the slope of regression lines in Figure 2, the effect of benefit generosity indeed seems more important when one applies not the at-risk-of-poverty rate, but the percentage point difference between the post-transfer and pre-transfer rates, i.e. the (mechanical) reduction in at-risk-of-poverty rates due to social transfers (POVRED). However, the correlation coefficients for AROP40-ALL and POVRED40 in Table 2 are quite similar. Moreover, again, some countries display divergent patterns.

The link between benefit generosity and poverty becomes most apparent if one focuses on at-risk-of-poverty among households with very low work intensity. In Figure 2 we correlate benefit generosity with AROP40-WI, which yields the strongest correlation in Table 2. Countries with more generous minimum income levels generally have lower at-risk-of-poverty rates among their work-poor households. There are, however, a number of exceptions particularly in the new Member States.

To the extent that significant correlations appear, they are driven by the social policy architecture of the *old* Member States. The correlations between benefit generosity and poverty reduction and poverty are negligible in the new Member States, even among work-poor households. This possibly stems from the fact that problems of inaccessibility and non-take-up are even more relevant in Eastern Europe than elsewhere in the Union. Latvia, for example, combines mediocre, though not extremely low, benefits with a particularly high poverty risk. This is attributable to an extent to the limited duration of entitlement. In addition, the high poverty rates in this and other Eastern European countries are probably also due to a lack of financial and administrative clout, both of which are necessary in order to implement the right to benefits in practice (Frazer et al., 2009). The non-correlation between the poverty indicators and benefit generosity should not be interpreted as if social assistance cannot be a tool for alleviating poverty in the new Member States. Rather, these figures should drive home the following message: if guidelines regarding minimum income schemes in the European Union are to serve as a tool for first-order input governance, they should look beyond setting a minimum income threshold, and consider all aspects of such schemes (see also Atkinson et al., 2002; Goedemé and Van Lancker, 2009).

In Table 2 we include the correlation between benefit generosity and AROP for individuals in households with very high work intensity, who normally do not depend on minimum income assistance. The negative (though insignificant) correlation between poverty in this segment of the population and benefit generosity suggests that generosity in social assistance tends to be associated with the overall quality of social systems. If the overall quality of the welfare edifice explains low levels of poverty for the whole population and low levels of poverty

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22 Explorative analyses on the basis of the EU-SILC 2010 show that the correlation between benefit generosity in social assistance and AROP40 among households with extremely low work intensity has actually increased in comparison with the period covered by EU-SILC 2009. This suggests that the role social assistance plays as automatic stabilizer for individual incomes is reinforced in times of economic crises.
among the work-rich, and is associated with high levels of social assistance, all these indicators tend to correlate with each other.

To adequately assess a country’s overall poverty record, given the benefit generosity in that Member State, we propose to examine together the poverty outcome for the total population, the poverty outcome for individuals in households with very low work intensity, and the degree of poverty reduction. Figure 2 enables us to do that, on the basis of the 40% poverty threshold. We use the regression line with benefit generosity as independent variable and the poverty (reduction) indicators as the dependent variable as an intuitive benchmark in order to classify countries as ‘above’ or ‘below’ average performers, given their level of benefit generosity. It appears that Hungary, France and Luxembourg have better records both with regard to AROP40-ALL, AROP40-WI and POVRED40 than we may expect on the basis of this benchmark. Sweden and Finland perform better than expected with regard AROP40-ALL and AROP40-WI, and ‘as expected’ with regard to POVRED. The UK, Ireland and Poland display records that are better than expected for POVRED40 and AROP40-WI, and ‘as expected’ with regard to AROP40-ALL. By contrast, both for AROP40-ALL, AROP40-WI and POVRED40, the performances of Italy, Spain, Bulgaria, Lithuania and Latvia are worse than expected. Although this benchmarking exercise should be interpreted very cautiously (e.g. because the regressions we use as benchmarks have confidence intervals, not shown here, and because the whole exercise relies on point estimates, with often large confidence intervals around them), they signal important differences among EU Member States with regard to the quality of the safety nets in terms of coverage, take-up etc., and/or the poverty reduction effectiveness of the welfare system as a whole, and/or the labour market.

We already discussed the Latvian case. In Italy, safety nets are largely devolved to the regions, which results in great interregional variation in both benefit levels and eligibility conditions (Minas & Overbye, 2010). Our data most likely overestimate the generosity of social assistance in Italy, as we draw on figures for a typical city in the North (Milan), where assistance tends to be much more generous than in Southern Italy. Apart from this, in countries such as Italy and Spain, the poor record with regard to poverty reduction and poverty (compared to the level of benefit generosity) illustrates that their overall social protection systems are inefficient in these respects.

These, admittedly tentative, results confirm that adequate social assistance correlates with welfare states that achieve substantial reductions in poverty through social transfers, but, simultaneously, low (or high) levels of poverty of the non-elderly cannot be explained by adequate (or inadequate) levels of social assistance per se. Labour markets and the overall architecture of social security are more important explanatory factors in this respect. However, in a cross-country comparison, social assistance generosity makes a difference for people who participate only marginally in the labour market; it may be the case that many of these people have less access to contributory benefits.

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23 The correlations in Table 2 are indeed somewhat stronger if Italy is excluded from the analyses, though the impact of excluding Italy is modest.
Thus, social assistance may be less relevant for explaining aggregate levels of poverty, but quite important for marginalized groups. But even for the latter groups, there is no correlation between benefit levels in social assistance and poverty when we focus on the new Member States; that correlation is strong for the old Member States. When it comes to policy, these observations lead to two important conclusions. First, in the area of minimum income protection, an anti-poverty strategy should not be restricted to setting adequate social assistance amounts, but should also include adequate access criteria and implementation practices. This exacerbates the problem of subsidiarity, since an adequate regulation must be quite detailed: the more detailed a regulation is, the more it challenges subsidiarity. Second, this analysis may be seen as weakening the case for European first-order governance on minimum income protection, or, to be more precise, as weakening the case for a focus on minimum income protection as the priority instrument, to be reinforced by means of hard European initiatives, as the EAPN proposal implies. Rather than weakening EAPN’s case as such, we think this analysis underscores the need for a careful formulation and positioning of the argument. It may also lead to a reconsideration of the way in which ‘input governance’ and ‘outcome governance’ ought to be combined and/or a reconsideration of the way in which European ‘outcome governance’ can be made more operational than it is today in the domain of social inclusion. In the remainder of this subsection, we focus on the formulation of the argument concerning the role of the EU in the domain of minimum income protection.

If our goal is to minimize poverty risks in EU Member States, what is needed is a fully-fledged welfare state, with adequate social security, a well-functioning labour market and efficient minimum income protection. In other words, it is the overall quality of the welfare regime that counts; social assistance is a necessary component, which correlates positively with the curative capacity of welfare states to reduce pre-transfer poverty. However, when it comes to steering the overall quality of welfare states in the EU, there seems to be no alternative to outcome governance, since no one is pondering a European take-over of national welfare states. That is not to say that the actual set up of the OMC is satisfactory. Its internal consistency, its role in the formulation of budgetary and economic policies, and its ‘bite’ should be strengthened (Vandenbroucke, Hemerijck and Palier, 2010). One may even argue that the EU should go well beyond the second-order outcome governance we now entertain and introduce binding targets on social outcomes, thus introducing first-order outcome governance as in the budgetary domain (using the classification of governance approaches we developed in Section 2). However, a Framework Directive on Minimum Income Protection cannot be a substitute for outcome governance with regard to the quality of national welfare regimes, that is, it cannot be a substitute for organizing guidance and putting positive pressure on the overall quality of welfare states. It is rather a complement, as EAPN also puts it. The question then is: what is the specific goal and added value of this complement?

From an instrumental point of view, a well-conceived notion of adequate minimum income assistance may generate upward pressure, not only on minimum rights in social security and minimum wages in the labour market, but also on the quality of activation schemes for people living on social assistance. The notion that the right to a minimum income and the right to
quality activation are associated already inspires the 2008 Recommendation on active inclusion; the need to reinforce this balance by stronger EU guidance constitutes as such a good case for an EU framework directive. It may strengthen and render more operational the current processes of Open Coordination on these issues. Moreover, in times of budgetary austerity, an EU-wide concept of adequate minimum income assistance would signal to Member States that the most vulnerable must not become the victims of austerity.

But why should that concern not be left to the Member States? Why should a binding framework on these matters be defined at the EU level? The argument, so we think, should be that the EU thus substantiates fundamental social rights that it already recognizes in principle, and so becomes more like the ‘caring Europe’ that it needs to be if it is to maintain popular support. The argument is fundamentally political: it is about the appropriate balance between the various strands of EU action, the balance between, for instance, budgetary surveillance and competitiveness and caring for the poor and the powerless; or, the appropriate balance between economic rights (such as free access to and a level playing field in an integrated EU market) and social rights (such as the right to a life compatible with human dignity). Hence, the argument is that at each level of a multi-tiered polity such as the EU there should be a minimal balancing of ‘market-making rights’ and ‘social rights’; otherwise such a multi-tiered policy will lack legitimacy and even political sustainability.24

To some extent this argument is congenial to Armstrong’s ‘OMC-driven social constitutionalism’. Armstrong’s concern is ‘to render Member States accountable for the quality of their anti-poverty strategies by conceptualizing these strategies as a means of realizing the fundamental social rights of citizens. […] If the function of court-led economic constitutionalism is often to prise open the nation state and require Member States to demonstrate how national policies are to be reconciled with EU economic objectives, then the function of OMC-driven social constitutionalism may equally be to put EU Member States to the test and to demand explanations of how exercises of domestic social sovereignty attain the social policy objectives and values of the Union while protecting fundamental rights.’ (Armstrong, 2010: 261-262). However, we depart from Armstrong’s view in that we believe procedures of second-order governance, in which Member States ‘are put to the test’ with regard to social rights, will only be effective if common European objectives concerning those social rights are sufficiently substantive, precise and binding. In other words, when it comes to social rights, we think a consistent mixture of EU first-order and second-order governance is necessary to make second-order governance work.25

24 One might link this idea to the recent ILO recommendation concerning national social protection floors, (including basic income security for children, older persons and persons in active age who are unable to earn sufficient income) as an essential feature of national social security systems (ILC 101th session, Geneva, 14 June 2012).

25 Armstrong’s argument is one which ‘avoids conceptualizing the OMC on a hard law/soft law continuum that assumes that the imperative ought to be to move it from one end to the other. Rather the issues facing the OMC are more complex ones of institutional coherence and institutional design. That is to say, the concern is less with strengthening the OMW – conceptualized as a singular ‘mode of governance’ – and more with making an assemblage of methodologies function as an effective governance architecture.’ (Armstrong, 2010: 287).
To conclude, a European Framework Directive on Minimum Income Protection cannot be a substitute for a broad ‘outcome-oriented’ governance process on the quality of national welfare states in the EU, in which the number of people at-risk-of-poverty remains crucial for ‘outcome guidance’. A Directive on Minimum Income Protection can limit the extent of downward pressure on the quality of income protection and activation schemes and even create upward pressure, but its essential contribution would be to substantiate EU-wide social rights, with a view to achieving a politically legitimate balance between market-making rights and social rights. So conceived, enhancing the precision and binding character of EU initiatives with regard to minimum income protection, and thus creating a consistent ‘first-order’ framework, seems a useful move, if we want to genuinely put the Member States’ implementation of social rights really ‘to the test’ through derived second-order governance procedures.

4.2 Unequal Redistributive Effort

Next, in our second interrogation, we consider the feasibility of a binding EU framework on minimum income protection. For the sake of argument, we suppose that this framework would compel Member States to guarantee, by means of targeted social assistance, an income equal to the national poverty threshold for all citizens as defined by the EU, the elderly included. Figure 3 provides the results of an, admittedly simplistic, attempt to calculate the ‘redistributive effort’ needed to achieve such a result. We define the redistributive effort as the total poverty gap (in equivalent euros) expressed as a percentage of the total equivalent net disposable household income above the poverty threshold:

\[
\text{redistributive effort} = 100 \times \frac{\sum_{i=1}^{n} \max(z - x_i, 0)}{\sum_{i=1}^{n} \max(x_i - z, 0)},
\]

where \(z\) = poverty threshold, and \(x_i\) = net disposable equivalent household income of individual \(i\), for a population of \(n\) individuals.

The formula indicates what the average ‘effort’ would be (in terms of reduction in living standard, expressed by net equivalent income) for all non-poor households, with reference to their equivalent income above the poverty threshold, if the poverty gap were to be closed through a redistribution of income, to be implemented with costless transfers from the non-poor to the poor. We add the qualification ‘costless’, because this calculation disregards any behavioural responses that may increase the cost of such a measure, as explained below. The effort is not expressed as a percentage of the total income of the non-poor, but as a percentage of the income of the non-poor above the poverty threshold. We do this for two reasons. First, in this way we express the redistributive effort as a percentage of the equivalent income that could be effectively used by governments without running the risk that this redistribution would push some of the non-poor households below the poverty threshold. Second, in some countries the non-poor may (on average) spend a larger proportion of their income on minimum necessary goods and services than in other countries; calculating the redistributive
effort as a percentage of the total income of the non-poor would overlook that fact. Figure 3 provides the result both for a poverty threshold set at 40% of the national median equivalent income, and a poverty threshold set at 60% of the national median equivalent household income. Data are based on EU-SILC 2009 (all households, all ages). Using the same definition, the redistributive effort can also be expressed in terms of non-equivalent income (we use non-equivalent income in Table 3).

This exercise is merely illustrative, and even for illustrative purposes it is tentative. This mechanical calculation ignores incentive effects and behavioural change: on the basis of standard economic theory, we may expect a negative impact on labour supply (more poor people may prefer social assistance to lousy and low-paid jobs; the non-poor may reduce their work effort); the real cost of such an operation is higher than the mechanical effect. So conceived, our calculation may be seen to indicate a lower boundary for the required redistributive effort. On the other hand, the calculation may exaggerate the ‘cost’ involved, depending on the way anti-poverty measures are financed: if a concomitant income tax increase affects median income, the poverty threshold and poverty gap will, by definition, decrease. One may even object that this calculation totally misrepresents the essence of social progress. In existing welfare states, progress for the poor has been achieved in other ways than pure redistribution by transfers: increasing minimum wages and creating access to education and social services are well-known examples. Hence, one may protest that the ‘Robin Hood’ approach of social policy, which is simulated here, is a far cry from the real historical development of welfare states. This objection in a sense reiterates the previously made point about the (seemingly limited) relevance of minimum income assistance with regard to poverty outcomes. However, a counterargument against this objection is that welfare states that are capable of reducing poverty rates significantly, do raise (and spend) a lot of money, i.e. they are committed to redistribution: it may be the result of a long historical process, involving a multitude of factors, but in the end they redistribute money from the richer to the poorer (the correlation rate between total government expenditure as a percentage of GDP and the percentage point reduction in AROP40 by taxes and transfers, is 0.71 for the year 2010). Moreover, the case for a European initiative on minimum income assistance must be based on the notion that Member States should pursue more redistributive policies. So, although the exercise is mechanical and extremely tentative, we consider it to be a rough indication of the relative importance of the national redistributive effort, allowing a ranking of EU Member States in this respect.

The tentative calculations show that the redistributive effort required to lift all equivalent household incomes to the 60% level would be considerable in many Member States. Moreover, it would be unequally divided between the Member States. In three Member States it would be less than 3.5% but in four others (Bulgaria, Spain, Latvia, Romania) it would be

26 We prefer to express the redistributive effort in terms of ‘living standards’ (i.e., the redistributive effort controlling for the household structure of the population, by means of the modified OECD equivalence scale). However, for most countries, the difference is not very big if non-equivalent household income is used.

27 We thank Christos Koutsampelas for this remark.
close to 7% or more of the total equivalent household income above the poverty threshold. The countries that would have to make such a relatively great effort are all Southern and Eastern Member States. It is not the case that being poor in GDP per capita always implies a great redistributive effort to close the poverty gap: the Czech Republic and Hungary are relatively poor in GDP per capita, but closing the poverty gap would require relatively little effort; on the other hand, Denmark and the UK are relatively rich, yet they would have to make a relatively great effort to close the poverty gap. The effort required by Spain would also be great compared to its position in the GDP/capita scale, and the same holds for Italy, though to a lesser extent – which again is an indication of the comparative inefficiency of the Spanish and Italian social systems. However, the cluster of Eastern Member States that would have to make the greatest effort also encompasses the poorest countries in the EU. This is illustrated in Figure 4.

A less ambitious target would be to require Member States to eliminate poverty risks below the 40% threshold. As can be seen in Figure 3, the redistributive effort would then range from around 0.5% of the total equivalent household income above the poverty threshold (in Hungary, the Czech Republic, Cyprus, France, Slovenia, and Finland) to about 2% (in Romania and Spain). Clearly, with a less ambitious target, the required effort is much smaller, and thus looks more ‘feasible’. However, the disparity between the Member States becomes more pronounced with the 40% target than with the more ambitious 60% target. Whereas this target increases the overall feasibility since it is less demanding, it is disproportionately less demanding for the ‘better performers’ in the European class.

This very unequal impact on Member States – with a much higher relative burden falling upon some of the poorer countries – presents a fundamental obstacle to the implementation of this kind of approach, at least in the foreseeable future. Now, one may wonder how much of that unequal burden is due to differences in household employment rates. In Member States with many low-work intensity households, dependence on social expenditures is high. Cantillon et.al.(2012) construe a theoretical counterfactual whereby all Member States are able to implement successful activation policies and – in so doing – to reduce their number of work-poor households. The results show that this would mitigate the inequality of the budgetary burden, but not eliminate it.

A less comprehensive but perhaps more realistic alternative is to first start eliminating poverty among specific vulnerable groups such as the elderly or children. Atkinson et al. (2002) and Goedemé and Van Lancker (2009) discuss the introduction of a universal basic pension in the European Union, Vandeninden (2012) examines the impact of a (residual) pension guarantee in the EU, whereas Atkinson et al. (2010) propose a guaranteed basic income for every child defined as a percentage of median income in the Member State concerned (Atkinson et al., 2010: 22). Starting from this notion, Levy, Lietz and Sutherland (2007) simulated the consequences of the introduction in the EU of a basic income for each child, using the EUROMOD tax-benefit model. They demonstrate that child poverty could be halved with a
basic income for children between 18% and 27% of the median national income. However, their analysis is restricted to the old EU15, while the data used relate to 2001.

Cantillon and Van Mechelen (2012) discuss a proposal that deviates from Atkinson’s in that it assumes a purely selective supplement granted only to households with children whose income is below 60% of median equivalent income. The total cost in the EU of such an operation is estimated to amount to about half of the effort required to eliminate the poverty risk among all EU citizens. However, under this scenario, too, the effort required would be unevenly distributed among the various Member States.

The general conclusion is that any scheme of this type – even if it is moderate in its initial ambition – requires a significantly greater effort on behalf of poorer Member States in Eastern and also in Southern Europe. Poorer Member States would have to demand a relatively greater additional (tax) effort from their middle and higher-income families for the funding of adequate minimum income protection than the richer Member States would. Moreover, ‘middle and higher incomes’ in the poorer Member States may be very low incomes in comparison to ‘middle and higher incomes’ in the richer Member States (Fahey, 2007; Lelkes et al., 2009, Decancq et al., forthcoming). The policy conundrum, then, is a fundamental solidarity conundrum. This is further illustrated in Table 3.

[Table 3 about here]

Column (a) of Table 3 ranks Member States according to the level of their national at-risk-of-poverty threshold, set at 60% of median income. The ranking is from lowest (Romania) to highest (Luxembourg), with the two extremes diverging by a factor of 7.6, despite a correction for differences in price levels. Column (b) presents the top cut-off of the bottom quintile in the income distribution, and column (c) the top cut-off of the 4th quintile. All incomes are equivalent disposable household incomes expressed in PPP (which entails a considerable relative improvement for a number of the poorer countries as compared to a relative evaluation in euros). In eight new Member States (Romania, Bulgaria, Latvia, Lithuania, Hungary, Poland, Estonia and Slovakia) incomes at the top of the 4th quintile are lower than incomes at the top of the bottom quintile in seven richer countries, namely Luxembourg, the Netherlands, Austria, Cyprus, Sweden, Denmark and France. In Romania, Bulgaria, Latvia, Lithuania and Hungary these ‘high incomes’ are actually below the poverty threshold in those eight richer countries. The contrast is highlighted in Table 3 as the grey areas in columns (a), (b) and (c). Columns (d) and (e) represent figures for the redistributive effort required to eliminate poverty below 60% or 40% of median income. In order to make the redistributive effort comparable with column (f), which expresses the size of the European Structural Funds as a % of the GDP of receiving countries, we now present the redistributive effort in terms of non-equivalent incomes and as a percentage of total disposable household income (including the income below the poverty threshold).

In general, the pattern is very similar compared to the results presented in Figures 3 and 4. The required redistributive effort is greater in poorer countries than in richer countries, but there are notable exceptions: Hungary, the Czech Republic and Slovakia on the poor side; Denmark on the richer side; Italy and Spain would have to make a remarkably great effort
Given their position in the development ladder of the EU. Let us now consider the eight poorest Member States (according to poverty thresholds in PPP). To demand that families in the 4th quintile in a number of those poor countries should pay relatively more to their poor fellow citizens for improving income assistance than the corresponding group in rich countries, even though the former are poorer than any family in the second quintile in (at least seven of) the richer countries, would appear to contradict a true European conception of solidarity. Or, to put the issue in an admittedly blunt way: would such a scheme boil down to the richer segments in the EU cynically asking some of the poorer segments to show greater solidarity... among themselves?

Before we discuss that question, we first present some figures to put the solidarity issue it raises in context. Suppose one were to organize a cross-border European budgetary transfer mechanism, to compensate all Member States for the redistributive effort they would have to make in order to reach the target of eliminating poverty risks below 60% or 40%. Given the bitter resistance against any suggestion of a ‘transfer union’, even within the Eurozone, such a scheme belongs to the realm of political fiction as things stand. Yet, to put the scale of such an operation in context, column (f) in Table 3 provides the yearly amount of money transferred by the Structural Funds (for the years 2006-2012) as a percentage of GDP of the receiving countries. For the new Member States at the top of Table 4, the solidarity effort the EU deploys via the Structural Funds more or less matches the effort that would be required to fund the eradication of poverty below the 60% threshold by means of social assistance (for Spain and Italy there is clearly no match). In other words, funding the extra minimum income assistance that would close the poverty gap at 60%, would require more than double the amount available under the current system of Structural Funds; closing the gap at 40% would require much less, but still a significant amount. We do not mean to suggest that the Structural Funds be converted in a fund that finances minimum income protection across the EU. We merely wish to illustrate the scale of additional pan-European solidarity that would be required, if the extra funding for the organization of a minimum income guarantee were to be Europeanized. (A rather different discussion, which we do not want to open at this stage of the argument, is whether or not the use of part of the actual Funds can be made conditional on Member States’ policies with regard to social inclusion. There are good arguments to introduce such conditionality in the use of the Funds. This would establish a policy link between the Structural Funds and minimum income protection; but that is not the idea referred to in Table 3, which simply uses the Funds as a benchmark for pan-European solidarity efforts today.)

Does the unequal burden implied by a binding European minimum income scheme necessitate pan-European funding? This issue is complex since it hinges on two questions. First, why should our normative benchmark with regard to income inequality and poverty be pan-European? Second, what is the responsibility of national governments with regard to poverty alleviation? We briefly discuss both questions.

The argument illustrated by Table 3 implicitly suggests that we drop the national perspective traditionally used in the assessment of financial poverty risks in the EU, and replace it with a pan-European perspective on income inequality and poverty. The former implies an internal,
domestic perspective on solidarity; the latter implies a pan-European perspective on solidarity. Enabling the development of national welfare states has always been part and parcel of the EU’s official ‘mission statement’. As the vocation of national welfare states per se is to serve social cohesion within the Member States, internal cohesion within Member States should be a key concern at the EU level. On the other hand, the interaction among EU Member States and their citizens is such that it would be anachronistic today to continue to assess the European project on the basis of indicators that refer merely to national contexts, such as national at-risk-of-poverty rates. As a matter of fact, EU ‘cohesion policies’ reflect this insight: cohesion in the EU cannot be defined as cohesion within Member States only. In other words, the evaluative dualism that follows from the pan-European and domestic perspective is intrinsic to the European project. Since both the internal perspective on solidarity and the pan-European perspective as legitimate, we are confronted with an irreducible evaluative dualism. The dual dimension cannot be reduced to one, as there is no simple trade-off, let alone an algorithm by which they can be collapsed into a single indicator. Hence, we cannot develop an argument in favour of a pan-European system of minimum income protection without clarifying how these twin dimensions of solidarity – domestic and pan-European – should relate to each other. The argument might run as follows: the solidarity perspective – domestic or pan-European – depends on the specific policy domain and/or the instrument one is assessing; for instance, when it comes to the European Structural Funds, the solidarity perspective should be pan-European; when it comes to minimum income assistance, the solidarity perspective should be domestic. However, that argument is not convincing per se. Someone may object, for instance, that the solidarity perspective on minimum income assistance would change, if the EU would impose a pan-European income guarantee, even if it is expressed as a percentage of national median income. More fundamentally, the counterargument may be that there is no normative rationale for not taking into account issues of distributive justice at the pan-European level, whatever the policy problem at stake.

The normative argument is the more complex, because there is no strong and clear-cut correlation between ‘having a low GDP/capita’ and ‘having to put up a great redistributive effort to close the poverty gap’ among EU Member States. Countries required to make a relatively great redistributive effort in order to close the poverty gap are either old Member States with relatively inefficient social protection systems (such as Italy, Spain, Greece) or new Member States with low levels of social spending and underdeveloped social protection systems, such as Romania, Estonia, Bulgaria, Latvia and Lithuania. The latter can be contrasted to new Member States that have well-developed social protection systems, but that are not necessarily as rich and do not spend as much on social protection as the old Member States (Hungary, the Czech Republic, Slovakia). The redistributive effort we calculated is about the extra effort that is necessary to achieve the 60% (or 40%) guarantee: the extra effort obviously depends on the size of the effort that is already organized and on its efficiency.

28 Claims of justice arise and get their specific shape in the context of human cooperation; pan-European cooperation legitimizes specific pan-European claims of justice. For a thorough discussion on the normative foundations of claims of justice in the EU, see Sangiovanni (forthcoming).

29 Fahey (2007) argues that the EU should foremost focus on a pan-European poverty indicator based on a pan-European poverty threshold, since the EU’s effective competences relate to pan-European cohesion rather than to national social cohesion.
Hence, some might also argue that a pan-European transfer system to compensate for the redistributive effort required to close the poverty gap boils down to externalizing internal policy failures and/or domestic unwillingness to redistribute… They might also point to the fact that even within poor EU Member States there are very rich people, a phenomenon which may be covered inadequately by our survey data on which we rely in this chapter’s presentation. In the latter approach any external support to close the poverty gap may be made conditional upon ‘internal effort’, to raise the efficiency and/or the size of internal solidarity.

How should we balance a call for external solidarity (to enable poor Member States to conform to exacting demands with regard to social protection) on the one hand, and national responsibility for social performance (to avoid the externalisation of policy failure) on the other hand? There is no clear-cut answer to this question. We revisit a well-known theme concerning solidarity: one cannot define and delineate a conception of solidarity, without simultaneously defining and delineating a conception of responsibility. Solidarity and responsibility are mutually interdependent, including at a pan-European level.

4.3. Impact on Dependency Traps

An important policy objection to increasing minimum benefits is that it would destroy the necessary tension between minimum wages and benefits. Hence, our third interrogation with regard to a binding European framework on minimum income protection concerns its impact on dependency traps. Table 4 illustrates the impact of higher minimum benefits on the difference in household income of social assistance claimants on the one hand and of full-time minimum-wage earners on the other. The Europe-wide introduction of social assistance minimums equal to 60% of national median equivalent income would create a financial inactivity trap in no fewer than eleven Member States: in Bulgaria, Estonia, Slovenia and Lithuania, the net income of a single benefit recipient would be between 25% and 30% higher than the equivalent income of a single person working at minimum wage; in Spain and the Czech Republic, the relative advantage of the benefit claimant would amount to between 14% and 16%. Less severe dependency traps would appear in Hungary, Luxembourg, Portugal and the United Kingdom. If the minimum benefits were to be raised to 50% of median equivalent income, then the hypothetical unemployment traps would obviously be smaller, but they would still be substantial in the case of Lithuania, Slovenia, Estonia and Bulgaria (between 5 and 9 %). Only if benefits were augmented to 40% of the median would it pay in all countries to switch from social benefits to the minimum wage. These figures demonstrate that, given the great heterogeneity between the Member States, any binding agreement with regard to minimum social assistance incomes would have to be formulated flexibly and introduced gradually.

[Table 4 about here]

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30 We do not wish to suggest that there is a simple relation between financial incentives as measured by a comparison of minimum wage levels and social assistance. The incentive structure for real people in the real world is both more subtle and more complex. However, we use these figures to underscore an important dimension of the social diversity within the EU.
It seems that such large differences in the severity of the dependency trap coincide with a great diversity in activation measures. In some Eastern European countries, a genuine activation policy seems to be lacking thus far. In countries such as Lithuania and Estonia, the main incentive for social assistance recipients to seek work is the enormous gap between benefits and wages. National governments do not monitor the number of activated social assistance recipients and sanctions for unwillingness to work are rarely applied (Cantillon & Van Mechele, 2012). An increase in benefit amounts would appear to be feasible there only if a new balance is struck between the rights and duties of benefit claimants. A Europe-wide agreement on minimum income protection would only seem possible if some practical convergence is also achieved in the field of activation. Moreover, introducing a reasonable social assistance income inevitably raises the question of minimum wages, which – as the above data demonstrate – are inadequate in many countries. As has been argued in Chapter 3 there may be scope for gradual but substantial increases of minimum wages in several EU Member States.

5. Conclusion: A Caring Europe Should Care for Poorer Member States and Demand Social Efficiency Everywhere

Our discussion in the first part of the previous section suggested a rationale for an EU Framework Directive on Minimum Income Protection, based on the political significance of social rights in a ‘caring Europe’. In terms of governance principles, such a move would imply a fundamental rebalancing of EU social inclusion policy from predominantly outcome-oriented second-order governance to a combination of input-oriented and outcome-oriented first-order governance. The experience gained in the last decade should not lead to the conclusion that the second-order processes mandated by the EU, such as the peer review on social inclusion and its information by a validated statistical apparatus, are utterly trivial. However, these processes are certainly not perceived as creating the necessary political balance between market-making economic rights and social rights at the EU level.

In order to acquire real ‘bite’ and to gain prominence in the political process, second-order governance needs sufficiently precise and mandatory first-order objectives. The question then becomes whether or not an EU framework on minimum income protection would serve this goal. Forcing Member States to strictly close the poverty gap implies substantial redistributive efforts, which fall heaviest on a number of Eastern and Southern Member States. In general, they correlate negatively with the level of economic and social development of the Member States: some of the poorest Member States must bear the heaviest burden. However, there are important exceptions to this rule. In the EU15 these exceptions signal inefficiency in social protection and social spending, notably in the Southern Member States. In the new Member States, there is a distinction between poor Member States that have already developed internal redistribution and social protection, and poor and very poor Member States that have not. Moreover, we have also illustrated that, apart from the ‘unequal burden’, any such measure would generate significant employment traps. These observations lead to two conclusions.

31 In more general terms, it presupposes convergence in the nexus between social assistance, social security and activation. If social security benefits prevent poverty to a large extent, the role of social assistance as such may become marginal.
First, given the great heterogeneity between countries, any binding agreements on minimum incomes will have to be introduced flexibly and gradually, and implemented in unison with a convergence in activation measures and minimum wages. In this context, consideration could be given to the argument for priority to measures aimed at covering the cost of child-rearing (e.g. restricted in an initial phase to guaranteeing to all families with children an income equal to 40% of median standardized income). This goal may seem to be lacking in ambition, but, like the national social protection systems, social Europe will need to be established incrementally, step by step.

Second, since such a scheme – even if it is moderate in its initial ambition – requires a significantly greater budgetary effort on behalf of some of the poorer Member States in Eastern and Southern Europe, it raises a complex question about the meaning of solidarity within the EU. In the poorer Member States ‘the rich’ are poorer than ‘the poor’ in the richer Member States. But to implement such a scheme poorer Member States would have to demand a relatively greater additional (tax) effort from their middle income and higher income families than the richer Member States would have to require from their (more affluent) middle and higher income households. This observation confronts us with a problem of pan-European social justice which cannot simply be discarded: should a caring Europe develop a pan-European concept of solidarity, and support poorer Member States in implementing minimum income protection? Simultaneously, pan-European solidarity cannot dispense of a parallel notion of responsibility, in other words, pan-European solidarity also requires ‘efficient internal solidarity’ within Member States. A virtuous circle of solidarity in Europe would be one where both internal (domestic) and external (pan-European) solidarity are enhanced.

What can we make of all this? What should a caring Europe stand for and what should it bring forth? First of all, in the economic domain a caring Europe should be about convergence in prosperity\(^{32}\). If market integration, EU economic and budgetary surveillance and EU cohesion policy lead to upward economic convergence, they offer part of the answer. Should we go further, and propose to combine binding rules on minimal income protection, *hic et nunc*, supported by transfers from richer to poorer regions? Current political discussions illustrate that, even within the Eurozone, financial transfers seem like a political no-go area for some of the richer Member States.\(^ {33}\) Does this mean that, meanwhile, we are totally stuck? A minimal condition for a caring Europe, that attempts to upscale minimum income protection, is that it should help the poorer Member States, not just by opening up markets and implementing successful macro-economic policies at the EU level, but also by putting at their disposal generous Structural Funds for the foreseeable future (possibly even more generous than they are today). Simultaneously, a caring Europe would put positive pressure on poorer and richer

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\(^{32}\) Obviously, ‘a caring Europe’ is about more than mere economic prosperity, just as the notion of ‘quality’, which we emphasize, entails more than ‘efficiency’, as underscored in a comment by Mary Daly. The effectiveness of social protection depends on both the size of the spending effort and its efficiency; moreover, non-economic dimensions of social protection should also be taken into account.

\(^{33}\) At this moment, the opposition against anything that even resembles a ‘transfer union’ – including any collective action on sovereign debt – creates a stalemate, not only with a view to stability and prosperity in the Eurozone, but also for the future of the European Union at large (see Vandenbroucke, 2011; De Grauwe, 2011). However, this is a different issue from the one we discuss in this chapter, and we should not conflate it.
Member States to gradually improve the overall quality and efficiency of their welfare regimes (introducing conditionality with regard to aspects of social inclusion policy in the European Social Fund may be a possibility to develop more leverage). Meanwhile, existing strategies – notably *Europe 2020* – should be taken seriously and given real bite (this means that budgetary and macro-economic policies should serve the social investment goals of *Europe 2020*). If this were the overall context, then the prospect of gradually introducing a more binding EU framework on minimum income protection may become realistic and useful, for the political reasons indicated above and as a measure to increase the quality and efficiency of domestic social systems. Fundamentally, enhanced solidarity within Member States cannot be decoupled from enhanced solidarity among Member States – and *vice versa*. That is the intellectual and political agenda we have to come to terms with.
References


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Notten, Geranda and Chris de Neubourg (2011), ‘Monitoring absolute and relative poverty: ‘not enough’ is not the same as ‘much less’’, The Review of Income and Wealth, Series 57, Number 2, June.


Figure 1: Income distribution in the EU, the EU15 and the EU12

Figure 1: Relative frequency distribution at the individual level of equivalent net disposable household income, in the EU, EU15 and EU12, expressed as a percentage of the EU-wide median, EU-SILC 2009

Notes: EU15: the 15 ‘old’ EU Member States, EU12, the 12 Member States that joined the EU since 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia as well as (since 2007) Bulgaria and Romania. Incomes refer to 2008. Incomes converted to purchasing power standards using purchasing power parities for final household consumption (Eurostat on line database).

Source: EU-SILC 2009 UDB, version 2, own calculations.
Table 1: a classification matrix for EU interventions in social policy

<table>
<thead>
<tr>
<th></th>
<th>First-order</th>
<th>Second-order</th>
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</thead>
<tbody>
<tr>
<td>Input</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Outcome</td>
<td>C</td>
<td>D</td>
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Table 2: generosity of social assistance benefits and poverty record for the non-elderly

Table 2: Correlation between social assistance benefit generosity and poverty record for the non-elderly, EU-SILC 2009.

<table>
<thead>
<tr>
<th></th>
<th>All MS</th>
<th>Old MS</th>
<th>New MS</th>
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<tbody>
<tr>
<td></td>
<td>EU24</td>
<td>EU14</td>
<td>EU10</td>
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<tr>
<td>Correlation coefficients</td>
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**At 60% of median equivalent household income**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>AROP60-ALL (post-transfer poverty headcount)</td>
<td>-.225</td>
<td>-.343</td>
<td>-.044</td>
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<tr>
<td>FGT1 (poverty gap at 60%)</td>
<td>-.313</td>
<td>-.587**</td>
<td>-.031</td>
</tr>
<tr>
<td>POVRED60 (ppt reduction by transfers)</td>
<td>.320</td>
<td>.574**</td>
<td>.153</td>
</tr>
<tr>
<td>AROP60-WI (post-transfer, work intensity &lt;= 0.2)</td>
<td>-.316</td>
<td>-.535**</td>
<td>-.091</td>
</tr>
<tr>
<td>AROP60 for work intensity &gt; 0.85</td>
<td>-.330</td>
<td>-.418</td>
<td>-.128</td>
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</table>

**At 40% of median equivalent household income**

<p>| | | | |</p>
<table>
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</thead>
<tbody>
<tr>
<td>AROP40-ALL (post-transfer poverty headcount)</td>
<td>-.404**</td>
<td>-.672***</td>
<td>-.120</td>
</tr>
<tr>
<td>POVRED40 (ppt reduction by transfers)</td>
<td>.424**</td>
<td>.624***</td>
<td>.137</td>
</tr>
<tr>
<td>AROP40-WI (post-transfer, work intensity &lt;= 0.2)</td>
<td>-.478***</td>
<td>-.785***</td>
<td>-.001</td>
</tr>
<tr>
<td>AROP40 for work intensity &gt; 0.85</td>
<td>-.279</td>
<td>-.475*</td>
<td>-.218</td>
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</tbody>
</table>

Social assistance generosity measured as the unweighted average of the ratio of the net social assistance benefit package (including taxes, social contributions, housing allowances and child benefits) and the median equivalent household income for five model families: a single person household, a couple, a couple with 2 children (aged 7 and 14), a lone parent with 2 children (aged 7 and 14) and a lone parent with a child under the age of 3 (see Van Mechelen et al., 2011); *** Significant at level 0.025; ** significant at level 0.050; significant at level 0.100.

Sources: CSB-MIPI and EU-SILC 2009
Figure 2: Correlation between social assistance generosity and poverty indicators for the non-elderly, EU-SILC 2009

Above regression lines = comparatively inefficient
Figure 3: redistributive effort required to eliminate the poverty gap

Figure 3: Indicator of redistributive effort required, in order to eliminate poverty risks below 40% or 60% of median equivalent income, total population, EU-SILC 2009.

Note: 95% confidence intervals take as much as possible account of the sample design (cf. Goedemé, 2011), but do not take account of the relativity of the poverty line. The figure for the EU27 is the redistributive effort required to lift the income of the poor to the national-specific poverty threshold, as a percentage of the equivalent income above the national-specific poverty thresholds. Reading note: in Romania about 8% of total equivalent disposable household income above the 60% poverty threshold would be needed to close the poverty gap with a poverty line set at 60% of the national median equivalent net disposable household income.

Source: EU-SILC 2009 UDB version 2, own calculations.
Figure 4

Figure 4: GDP per capita and required distributive effort

Redistributive effort to eliminate poverty risk below 60% of median, EU-SILC 2009
Table 3: Income distribution, required ‘internal’ solidarity effort vs. existing pan-European solidarity

Table 3: Income distribution, required ‘internal’ solidarity effort vs. existing pan-European solidarity.

<table>
<thead>
<tr>
<th>Country</th>
<th>Poverty Threshold (a)</th>
<th>Top 1st quintile (b)</th>
<th>Top 4th quintile (c)</th>
<th>Effort 60% (d)</th>
<th>Effort 40% (e)</th>
<th>Structural Funds (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>2.122</td>
<td>2.055</td>
<td>5.764</td>
<td>4.0%</td>
<td>1.3%</td>
<td>3.0%</td>
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<tr>
<td>Bulgaria</td>
<td>3.528</td>
<td>3.439</td>
<td>9.239</td>
<td>3.6%</td>
<td>0.9%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Latvia</td>
<td>3.580</td>
<td>3.491</td>
<td>10.133</td>
<td>4.6%</td>
<td>1.2%</td>
<td>3.5%</td>
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<tr>
<td>Lithuania</td>
<td>3.615</td>
<td>3.574</td>
<td>10.322</td>
<td>3.3%</td>
<td>1.0%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Hungary</td>
<td>4.011</td>
<td>4.699</td>
<td>9.423</td>
<td>1.3%</td>
<td>0.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Estonia</td>
<td>4.490</td>
<td>4.846</td>
<td>12.237</td>
<td>2.8%</td>
<td>0.7%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Poland</td>
<td>4.540</td>
<td>4.762</td>
<td>11.755</td>
<td>2.3%</td>
<td>0.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.983</td>
<td>5.933</td>
<td>11.934</td>
<td>1.7%</td>
<td>0.4%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>5.793</td>
<td>7.239</td>
<td>13.602</td>
<td>1.1%</td>
<td>0.2%</td>
<td>3.3%</td>
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<tr>
<td>Portugal</td>
<td>5.838</td>
<td>6.138</td>
<td>15.557</td>
<td>2.4%</td>
<td>0.6%</td>
<td>1.8%</td>
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<tr>
<td>Greece</td>
<td>7.559</td>
<td>7.528</td>
<td>19.590</td>
<td>3.0%</td>
<td>0.8%</td>
<td>1.3%</td>
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<tr>
<td>Spain</td>
<td>7.995</td>
<td>7.831</td>
<td>21.163</td>
<td>3.8%</td>
<td>1.4%</td>
<td>0.5%</td>
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<tr>
<td>Malta</td>
<td>8.007</td>
<td>8.688</td>
<td>20.061</td>
<td>1.9%</td>
<td>0.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>8.227</td>
<td>9.655</td>
<td>19.041</td>
<td>1.7%</td>
<td>0.3%</td>
<td>1.7%</td>
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<tr>
<td>Italy</td>
<td>9.119</td>
<td>9.477</td>
<td>23.119</td>
<td>3.0%</td>
<td>0.9%</td>
<td>0.3%</td>
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<tr>
<td>Ireland</td>
<td>9.707</td>
<td>10.451</td>
<td>26.220</td>
<td>1.9%</td>
<td>0.5%</td>
<td>0.1%</td>
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<tr>
<td>UK</td>
<td>10.241</td>
<td>10.760</td>
<td>27.205</td>
<td>2.6%</td>
<td>0.7%</td>
<td>0.1%</td>
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<tr>
<td>Finland</td>
<td>10.275</td>
<td>11.710</td>
<td>23.869</td>
<td>1.8%</td>
<td>0.3%</td>
<td>0.1%</td>
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<tr>
<td>Belgium</td>
<td>10.398</td>
<td>11.404</td>
<td>24.821</td>
<td>1.9%</td>
<td>0.4%</td>
<td>0.1%</td>
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<tr>
<td>Germany</td>
<td>10.634</td>
<td>11.734</td>
<td>26.430</td>
<td>2.5%</td>
<td>0.6%</td>
<td>0.1%</td>
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<tr>
<td>France</td>
<td>10.704</td>
<td>12.176</td>
<td>26.448</td>
<td>1.5%</td>
<td>0.3%</td>
<td>0.1%</td>
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<tr>
<td>Denmark</td>
<td>10.713</td>
<td>12.256</td>
<td>24.320</td>
<td>2.7%</td>
<td>1.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Sweden</td>
<td>10.897</td>
<td>12.416</td>
<td>24.943</td>
<td>2.5%</td>
<td>0.8%</td>
<td>0.1%</td>
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<tr>
<td>Netherlands</td>
<td>11.293</td>
<td>13.455</td>
<td>26.800</td>
<td>1.6%</td>
<td>0.5%</td>
<td>0.1%</td>
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<tr>
<td>Austria</td>
<td>11.451</td>
<td>13.318</td>
<td>27.201</td>
<td>1.6%</td>
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<td>0.1%</td>
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<tr>
<td>Cyprus</td>
<td>11.840</td>
<td>12.630</td>
<td>29.433</td>
<td>2.1%</td>
<td>0.3%</td>
<td>0.6%</td>
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<tr>
<td>Luxembourg</td>
<td>16.048</td>
<td>17.461</td>
<td>39.905</td>
<td>1.6%</td>
<td>0.3%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

(a) poverty threshold at 60% of median equivalent disposable income, in PPP, EU-SILC 2010
(b) first quintile top cut-off point, equivalent disposable income, in PPP, EU-SILC 2010
(c) fourth quintile top cut-off point, equivalent disposable income, in PPP, EU-SILC 2010
(d) average distributive effort required to eliminate poverty risks below 60% threshold, expressed in non-equivalent income and as a percentage of the total disposable income, EU-SILC 2009
(e) average distributive effort required to eliminate poverty risk below 40% threshold, expressed in non-equivalent income and as a percentage of the total disposable income, EU-SILC 2009
(f) importance of the Structural Funds (2006-2013), on a yearly basis in % of GDP (David Allen, 2010, pp. 246-247)
Table 4: Net social assistance benefits vs. net minimum wages

<table>
<thead>
<tr>
<th>Country</th>
<th>Raise to 40% of median household income</th>
<th>Raise to 60% of median household income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria (Vienna)</td>
<td>61</td>
<td>92</td>
</tr>
<tr>
<td>Belgium</td>
<td>53</td>
<td>79</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>85</td>
<td>127</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>76</td>
<td>115</td>
</tr>
<tr>
<td>Estonia</td>
<td>86</td>
<td>129</td>
</tr>
<tr>
<td>France</td>
<td>58</td>
<td>87</td>
</tr>
<tr>
<td>Hungary</td>
<td>71</td>
<td>107</td>
</tr>
<tr>
<td>Ireland</td>
<td>57</td>
<td>85</td>
</tr>
<tr>
<td>Italy (Milan)</td>
<td>57</td>
<td>85</td>
</tr>
<tr>
<td>Latvia</td>
<td>51</td>
<td>77</td>
</tr>
<tr>
<td>Lithuania</td>
<td>85</td>
<td>128</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>73</td>
<td>110</td>
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<tr>
<td>Netherlands</td>
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<td>83</td>
</tr>
<tr>
<td>Poland</td>
<td>66</td>
<td>99</td>
</tr>
<tr>
<td>Portugal</td>
<td>70</td>
<td>105</td>
</tr>
<tr>
<td>Romania</td>
<td>61</td>
<td>92</td>
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<tr>
<td>Slovakia</td>
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<td>112</td>
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<tr>
<td>Slovenia</td>
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<td>132</td>
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<td>Spain (Catalonia)</td>
<td>78</td>
<td>116</td>
</tr>
<tr>
<td>UK</td>
<td>70</td>
<td>105</td>
</tr>
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</table>

* Based on statutory minimum wages. EU Member states without statutory minimum wage (Denmark, Finland, Germany, Sweden) are excluded, except for Austria and Italy. Austrian estimates are based on the minimum wage collectively agreed by the “Österreichischer Gewerkschaftsbund” and the “Wirtschaftskammer Österreich”. Data for Italy are based on the minimum wage in the low-paid leather and fur sector.

Source: CSB-MIPI data (Van Mechelen et al., 2011).