



**European Commission initiative on a
Council Recommendation on adequate
minimum income schemes**

Executive summary

According to the estimate of [Eurostat](#), 21.9% of the EU population was at risk of poverty or social exclusion in 2020. This worrying situation is contrasted with **minimum income schemes** in Member States that have [enormous shortcomings](#) – from coverage to adequacy of benefits to lack of evaluation mechanisms.

Well-designed minimum income – or social assistance – schemes play an essential role in combatting poverty and social exclusion. The AK welcomes the announcement by the European Commission of an initiative on this important issue. In our view, however, a **directive** would be **the appropriate instrument** for establishing definitions, basic principles and minimum standards for adequate minimum income schemes in terms of social policy, instead of the envisaged legally non-binding Council Recommendation.

In any case, the European Commission's initiative should take into account the following aspects:

1. Access to and coverage of minimum income benefits

The conditions of access to minimum income schemes must be designed in such a way that people at risk of poverty or social exclusion receive **effective support**. This access must also be granted to all beneficiaries of asylum and subsidiary protection.

2. Levels of minimum income benefits

It is imperative that the levels of minimum income benefits are designed adequately in terms of social policy. In particular, this means **raising** the level of these benefits to at least the respective **at-risk-of-poverty threshold**.

3. Effective measures to support re-entry into the labour market

Minimum income benefits should be complemented by **high-quality qualification and counselling services** and support for re-entry into the labour market.

Moreover, social benefit systems must not create existentially threatening living situations through disproportionate sanctions.

4. Supplementing minimum income with other adequate social benefits and high-quality social infrastructure

Minimum income schemes must be complemented by adequately designed **additional social benefits** (such as unemployment benefits, housing assistance and family support) and comprehensive high-quality **social infrastructure** services (such as childcare, healthcare and social work services).

5. Measures to combat child poverty

The already adopted EU Child Guarantee aimed at **combatting child poverty** is an important step in the right direction. It goes far beyond the issue of minimum income and includes, for example, important education and health policy aspects. In any case, it is important that this is also followed up by concrete and ambitious measures by the Member States.

6. Legal certainty and rapid support

Laws or notices in connection with minimum income schemes must be clearly formulated in order to comply with the principle of **legal certainty**. In addition, support must be provided quickly to save people from precarious living situations.

7. Preventing poverty before it occurs

Poverty must also be **prevented** before it even arises. Good wage development plays an important role here, which can be effectively supported by comprehensive coverage through collective agreements. Similarly, strengthening the social protection of the working poor should also be addressed more centrally at the EU level.

AK's position

In our view, **well-designed minimum income schemes** – or social assistance schemes, so as not to confuse them with minimum wage schemes – play an **essential role in combatting poverty and social exclusion**. We therefore welcome the fact that the Commission is considering to propose an initiative in this important area.

The need for an EU initiative in this area arises from the **great pressure** to contain the risk of poverty and social exclusion in the European Union on the one hand, as well as the often **massively inadequate design of minimum income schemes** in the Member States on the other hand. According to the estimate of [Eurostat](#), 21.9% of the EU population was at risk of poverty or social exclusion in 2020. In contrast, the existing minimum income schemes in the Member States have enormous [shortcomings](#) – from coverage to benefit adequacy to evaluation mechanisms.

From the AK's point of view, instead of the Council Recommendation envisaged by the Commission, a **Directive** would be **the appropriate instrument** to lay down definitions, basic principles and minimum standards for adequate minimum income schemes in terms of social policy at the EU level, whilst the specific design remains subject to decisions at the Member States' level. The legally binding nature of an EU Directive could effectively bring about social progress. A Council Recommendation, as currently envisaged by the Commission, is in our view a less appropriate instrument, but may be a first step in the right direction.

In general, it is important to keep in mind that **poverty risks** are **unequally distributed within society**. This includes the fact that **women are disproportionately at risk of poverty**, especially refugee women, migrant women, single parents and older women. In addition, **migrants, people with disabilities and people with health impairments** are particularly at risk of poverty. Special vulnerabilities must therefore be taken into account in the design of welfare state schemes. The Covid pandemic has had a massive impact on the financial situation of many households in the EU and has highlighted the importance of well-developed

welfare states, including minimum income schemes. The Covid crisis also hit particularly hard those people who were already in precarious living situations before the pandemic.

Furthermore, in shaping the Commission's initiative, greater consideration should be given to **other societal challenges**, in addition to the green and digital transformation cited in the Commission's call for evidence. These should include the ageing of society or current migration flows, the latter not least due to the war in Ukraine and (probably to a greater extent in the future) due to climate change.

The current particularly high **inflation** in areas such as housing, energy and food is making it especially difficult for broad sections of society, and especially for people at risk of poverty and social exclusion, to meet their living costs. Against this background in particular, minimum income schemes must be designed adequately in terms of social policy.

With regard to the content of the initiative, we would like to add our comments to the discussion process on the following topics:

1. Access to and coverage of minimum income benefits

It is deeply worrying that on average **around 35%** of people at risk of poverty in the EU are **not entitled to minimum income or other social benefits**, as the Commission cites in its [call for evidence](#).

It is essential to design the conditions of access to minimum income schemes in such a way that people at risk of poverty or social exclusion receive effective support. This also includes ensuring **access for all social groups** who need this support, i.e., including also beneficiaries of asylum and subsidiary protection. In addition, care must be taken to design the application process and the conditions for receiving minimum income benefits in such a way that people who need to claim these benefits do **not feel stigmatised or degraded**.

2. Levels of minimum income benefits

The levels of minimum income benefits must be significantly improved. The [study](#) published by the European Parliament in 2017 cited above states: “MI [Minimum income, added] schemes are able to lift people out of poverty in only a few cases” (p. 10).

It is therefore imperative that the levels of minimum income benefits are designed adequately in terms of social policy. In particular, this means **raising** the level of these benefits to at least the respective **at-risk-of-poverty threshold**.

For Austria, it should be noted that the **Social Assistance Basic Law** (*Sozialhilfe-Grundsatzgesetz*) introduced in 2018 has led to **a massive step backwards** in the fight against and prevention of poverty. Instead of effectively combatting poverty, this legislative change promotes exclusion. The introduction of maximum rates for minimum income benefit levels (instead of minimum rates as before) to be implemented by the federal provinces, benefit cuts for certain groups (including families with several children and people with poor German or English skills) and the restriction of the additional support services which may be provided by the federal provinces massively worsened the situation of those affected.

In Austria, therefore, the Social Assistance Basic Law must be urgently revoked and the social assistance system significantly improved, including raising the level of benefits to at least the level of the at-risk-of-poverty threshold. Similarly, a legal entitlement to housing assistance in line with the local rent should be enshrined.

3. Effective measures to support re-entry into the labour market

Minimum income schemes are often equipped with sanctioning mechanisms that put enormous pressure on people at risk of poverty. At the same time, affected people are often not being offered sufficient effective support with a view to re-entering the labour market.

Against this background, it is essential that **social benefit systems effectively support people** and in no way create precarious living conditions that threaten the existence of the affected individuals through disproportionate sanctions.

Minimum income benefits should be complemented by high-quality **skills training** and **support for re-entry into the labour market**. Minimum income schemes should be linked to prospects, e.g.

through adequate placement support or training opportunities with the aim of well-paid employment from which people can live independently and in a self-determined manner. In particular, this applies to women in precarious and low-paid jobs that do not pay a living wage. It is also important that adequate social benefits are available to provide financial security during training to effectively enable people to access vocational qualifications. Moreover, public employment programmes such as job guarantees can be an effective contribution in an appropriate policy mix. In addition, there needs to be a sufficient number of places in the extended labour market to create longer-term employment and care opportunities for persons with impairments and mental health conditions.

4. Supplementing minimum income with other adequate social benefits and high-quality social infrastructure

It is essential that minimum income schemes are complemented by other benefits and services provided by the welfare state in order to effectively combat poverty and social exclusion. These include **other social benefits** that must be **adequately designed** in terms of social policy (such as unemployment benefits, housing assistance and family support). In Austria, for example, there is an urgent need to raise the level of unemployment benefits, which is well below the EU average, to a net replacement rate of at least 70%.

In addition, **universal social benefits**, such as family allowances and care allowances, play an important role. The fight against poverty and social exclusion can therefore not be reduced to the “last social net” of minimum income. It would be important to discuss which social benefits should be made universally available as part of the EU-level debate on minimum income schemes.

In addition, Member States must provide comprehensive high-quality **social infrastructure services** (such as childcare and elementary education, healthcare, including rehabilitation and mental health services, long-term care and social work services). The AK advocates in Austria for the realisation of a legal entitlement to childcare and elementary education from the age of 1 for all children. This offer should be free of charge for families affected by poverty immediately and for all in the medium term.

5. Measures to combat child poverty

The **Child Guarantee** aimed at **combatting child poverty** which has already been adopted at the EU level is an important step in the right direction. It is important that this is also followed up by concrete and ambitious measures by the Member States.

In Austria, amongst other things, it is imperative to ensure that the reference benefit rates for children in social assistance are at an adequate level in terms of social policy. The AK has also presented a comprehensive [package of policy proposals to combat child poverty](#) that includes numerous proposals within the three thematic areas of “Enough money to live on for all families,” “Equal opportunities in the education system,” and “Easily accessible counselling and support services”.

6. Legal certainty and rapid support

Laws and notices in connection with minimum income schemes must be **clearly formulated** in order to comply with the principle of legal certainty and to enable recipients to better understand the actions of the competent authorities.

In addition, it must be ensured that **support is provided quickly** in order to prevent people from precarious living situations such as evictions. Months of application processes lead to the material situation of those affected becoming even worse.

7. Preventing poverty before it occurs

It is essential not only to fight poverty when it has arisen, but also to prevent it before it arises in the first place. **Good wage development** plays an important role here, which can be effectively supported by comprehensive coverage through collective agreements. Adequate minimum wage regulations also have an important role to play. It should be borne in mind that the latter are set by collective agreement in some Member States and that the autonomy of the social partners must be respected in any case.

Similarly, strengthening social protection for the working poor and workers in new digital forms of work such as crowdworking etc. should also be addressed more forcefully at the EU level. Moreover, education policy also has an important role to play in combatting the “inheritance” of poverty in the long term.



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About Us

The Austrian Federal Chamber of Labour (AK) represents by law the interests of about 3.8 million employees and consumers in Austria. It acts on behalf of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore, the Austrian Federal Chamber of Labour is a part of the Austrian social partnership. The Austrian Federal Chamber of Labour is registered at the EU Transparency Register under the number 23869471911-54.

The main objectives of the AK EUROPA Office established in 1991 in Brussels are the representation of AK towards the European Institutions and interest groups. Other objectives are the monitoring of EU policies and transferring relevant information from Brussels to Austria, as well as to lobbying the expertise developed in Austria and positions of the Austrian Federal Chamber of Labour in Brussels.