

# A framework directive on minimum income: towards decent incomes for all

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Ane Aranguiz, Herwig Verschueren and Anne Van Lancker

10 November  
2020

## The European Commission proposal on minimum wages does not exhaust the need to ensure minimum incomes for all.

After copious debate, on October 28th the European Commission finally launched the draft directive on minimum wages. Much has been said about this initiative, including on the conundrum of EU-level competence, the threshold to assess the adequacy of minimum wages and the need to protect the growing mass of precarious workers highlighted by the coronavirus crisis. Less attention has been paid to whether (and how) to combine minimum wages with other social-protection measures, to ensure adequate income protection for all and tackle poverty and social exclusion effectively.

minimum income

Ane Aranguiz

Research shows that steps towards income regulation in Europe should take a broad scope—including minimum wages, yes, but also increasing the take-home pay of low-wage earners and social-security benefits and providing a minimum-income protection for jobless households. An approach combining these different strands is needed for an effective framework providing coherent and comprehensive social protection, which guarantees that ‘everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life’—as principle 14 of the European Pillar of Social Rights requires.

minimum income

Herwig Verschueren

The Covid-19 pandemic has ‘punched a hole’ in already weakened social-protection safety-nets, as recently acknowledged by the Council of the EU, which invited the commission to ‘initiate an update of the Union framework to effectively support and complement the policies of Member States on national minimum income protection’. In an expert study, we presented arguments in favour of a framework directive on minimum income which would complement the commission proposal on minimum wages and the council recommendation on access to social protection by establishing an adequate minimum income in general.

minimum income

Anne van Lancker

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There are compelling reasons—normative, political and functional—for the EU to develop a legally-binding instrument. Among others, a minimum-income directive would contribute to the social cohesion and upward convergence which the commissioner for jobs and social right, Nicholas Schmit, is hoping to achieve with the initiative on minimum wages. It would, moreover, give a boost to the legitimacy of the EU by guaranteeing the citizen’s right to an adequate standard of living.

## **Legal basis**

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But that the union has reasons to act does not necessarily mean it can, in terms of its competences. A logical legal basis for an instrument on minimum income would be the EU competences in combating social exclusion under article 153(1)(j) of the Treaty on the Functioning of the European Union. The EU is however limited to actions of co-operation on this basis, precluding a binding instrument.

Some have argued that article 153(1)(c), on social security and social protection for workers, could serve as the legal basis. But its personal scope, applying only to workers, is too narrow for a minimum-income directive to live up to the right enshrined in principle 14 of the EPSR.

Instead, a combination of article 153(1)(h), on the integration of those excluded from the labour market, and article 175, on social cohesion, could accommodate a robust instrument spanning the social and the cohesion objectives of the union and covering all persons at all stages of life as proclaimed by the EPSR. Since the objectives of these two provisions are complementary, a legal instrument would seek a single goal—to improve the living standards of the EU population. A dual approach is possible as long as the instrument has a shared objective and the procedures for the use of the two competences are compatible (*Titanium dioxide case*).

An instrument on these bases would require an ordinary legislative procedure (the Council of the EU and the European Parliament co-legislating) and be adopted by qualified-majority voting, instead of unanimity. This would increase the chances of a directive being agreed, because of the lower threshold and given the parliament has supported minimum-income protection in the past.

## **‘Core standards’**

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An instrument on minimum income would also have to comply with the principles of subsidiarity and proportionality. All member states have some sort of minimum-income scheme in place (though most are inadequate) and previous soft-law measures have been insufficient to ensure a minimum income guaranteeing a life of dignity.

A directive in the form of a framework would disavow a ‘one-size-fits-all’ approach and recognise that any initiative on minimum income at the European level would have to be country-specific. The content of the instrument should thus be limited to establishing ‘core standards’ (based on the at-risk-of-poverty threshold and

contextualised with reference budgets) for member states, to develop minimum-income schemes which can effectively improve the living standards of the population as well as secure procedural and transparency requirements.

To ensure its feasibility and prospective enforcement, a framework directive on minimum income should include a link to EU funding, which could finance (part of) the costs of implementation, particularly for the ‘poorer’ member states. It could mimic the proposal on minimum wages and include important links to, for example, the European Social Fund Plus or the new Recovery and Resilience Facility. This could reduce the financial costs and potential deadweight effects of a minimum-income scheme with such a broad coverage.

The directive should establish a monitoring system to supervise member states’ performance. Again as with the proposed directive on minimum wages, this could be included in the European Semester. Not only would this minimise the administrative burden for member states, but it would ensure that minimum income and minimum wages were aligned.

Previous research has shown that low minimum wages act as a glass ceiling for benefits such a minimum income. Equally, there should be a clear positive hierarchy between the level of minimum wages and of minimum income, so integration to the labour market for those who can work is encouraged. As such, it is essential to conceive the efforts towards an EU framework directive on minimum income in relation to the broader picture of decent incomes for all.

### **About Ane Aranguiz, Herwig Verschueren and Anne Van Lancker**

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Ane Aranguiz is a post-doctoral researcher at the Faculty of Law and the Herman Deleeck Centre for Social Policy at the University of Antwerp. She is working on the Horizon 2020 project EUSOCIALCIT on the future of European social citizenship. Herwig Verschueren is professor of international and European social law at Antwerp. From 1992 to 2004, he was a European Commission official working on the free movement of workers and the co-ordination of social-security schemes. Anne Van Lancker is an independent expert on European social and employment policies, gender equality, human rights and development. She was a member of the European Parliament for 15 years.

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