

Opinion of the European Economic and Social Committee on 'The Development of social welfare benefits'

(2011/C 44/05)

Rapporteur-general: **Mr VERBOVEN**

In a letter dated 29 April 2010, and in accordance with Article 304 of the Treaty on the Functioning of the European Union, Ms Laurette ONKELINX, Deputy Prime Minister of Belgium and Minister of Social Affairs and Public Health, asked the European Economic and Social Committee, on behalf of the future Belgian presidency, to draw up an exploratory opinion on

The development of social welfare benefits.

On 25 May 2010 the EESC Bureau instructed the Section for Employment, Social Affairs and Citizenship to prepare the Committee's work on the subject.

In view of the urgency of the matter, the European Economic and Social Committee decided at its 464th plenary session, held on 14 and 15 July 2010 (meeting of 14 July), to appoint Mr Xavier VERBOVEN as rapporteur-general and adopted the following opinion by 66 votes to 3, with 10 abstentions.

1. Conclusions and recommendations

1.1 The EESC is delighted that the development of social welfare benefits is to be the subject of a special conference under the Belgian presidency of the Council of the European Union. The Committee recognises that social welfare is an important tool for redistribution, social cohesion and solidarity which has to be at the heart of the construction of the European project. Among other things, fundamental social rights guarantee access to adequate welfare incomes when certain social risks arise or to welfare assistance and housing for all those who lack sufficient resources. The EESC recalls that on 30 November 2009 it adopted a declaration asking the Commission to implement a new social action programme⁽¹⁾ to guarantee that fundamental social rights are accorded the same importance as competition rules and economic freedoms.

1.2 The EESC would like to stress the role of social policy as a productive factor. It would point out once again that if they are conceived in an appropriate manner, social and labour market policies help to promote both social justice and economic efficiency and productivity. The essence of the European social model rests on there being a proper balance between economic efficiency and social progress⁽²⁾. Getting people to support the European project will depend on the effectiveness of the policies implemented in these different areas. In addition, the importance of the role played by social welfare as an economic stabiliser, both when the economic situation is good and when it is bad, must not be overlooked⁽³⁾.

1.3 Because of the current economic and social crisis there is a need more than ever for an ambitious European strategy for the years leading up to 2020. This new strategy - which was defined by the Commission⁽⁴⁾, has just been approved at the European Council of 17 June 2010 and should be formally adopted in September this year by the Parliament - covers

four fields: knowledge and innovation, a more sustainable economy, the improvement of employment levels and social inclusion. The EESC supports this multidimensional vision which aims to support 'intelligent, sustainable and inclusive' growth but regrets that the recommendations included in its previous opinion on 'the Lisbon strategy after 2010' were not properly followed on certain points where gaps are noted. This would involve, among other things, formulating 'guidelines with measurable goals on gender equality, dealing with jobs that do not provide adequate social protection, the transition to a low-CO₂ economy, fighting poverty (including poverty suffered by people in employment) and moves to prevent social exclusion (for example, appropriate support in the case of unemployment or incapacity to work and in access to public services)'⁽⁵⁾.

1.4 The EESC welcomes the fact that the Europe 2020 Strategy includes a guideline specifically dedicated to social inclusion and fighting poverty, with a commitment that 20 million people at least will be lifted out of the risk of poverty and exclusion⁽⁶⁾. As 2010 has been designated the European Year for Combating Poverty, it is essential to take the measures necessary to help all the persons concerned to get out of poverty.

1.5 The Council considers that the best way to escape from exclusion is to get a sustainable, quality and properly paid job. Structural improvement measures should be adopted in order to create an inclusive labour market⁽⁷⁾. The EESC points out that a framework agreement for an inclusive labour market was concluded on 9 December 2009 as part of the social dialogue. This framework agreement notes the social partners' wish to promote inclusive labour markets, maximise labour force potential in Europe, increase the employment rate and improve the quality of jobs, including training and skills development.

⁽¹⁾ EESC opinion, OJ C 27 of 3 February 2009.

⁽²⁾ EESC opinion, OJ C 309 of 16 December 2006.

⁽³⁾ European Commission, Committee for Social Protection, *Joint Report on Social Inclusion and Protection 2010*, Manuscript, February 2010.

⁽⁴⁾ Commission Communication COM(2010)2020.

⁽⁵⁾ EESC opinion, OJ C 128/3 of 18 May 2010, point 4.4.

⁽⁶⁾ European Council 17 June 2010, Conclusions, EUCO 13/10.

⁽⁷⁾ Idem 5.

1.6 The EESC shares the point of view of the European Parliament included in its Resolution of 6 May 2009 on the active inclusion of persons excluded from the labour market ⁽⁸⁾, in particular the first recital: *'active inclusion must not replace social inclusion, as vulnerable groups unable to participate in the labour market have a right to a dignified life and full participation in society, and therefore a minimum income and accessible and affordable high quality social services must be available, regardless of a person's ability to participate in the labour market.'*

1.7 The EESC points out that in its opinion of 12 July 1989 on poverty ⁽⁹⁾, it recommended the introduction *'of a minimum social income, both to act as a safety net for the poor and to boost their reintegration into society'*. It regrets that this opinion and the Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems ⁽¹⁰⁾ have, at the present time, still not led to appropriate follow-up action. The EESC therefore feels that the phasing-in of a guaranteed minimum level of income and services as part of the social welfare system should be envisaged using a new instrument which, while taking into account specific national circumstances, would provide more effective support for the policies to combat poverty pursued within the various Member States. The objective of reducing poverty, which is included in the Europe 2020 Strategy, is, from this point of view, a major incentive.

1.8 As regards replacement social benefits, the EESC stresses that not all of these are the subject at present of particular attention under the Open Method of Coordination (OMC) relating to social protection. By defining objectives, and via common indicators and the exchange of good practices, the OMC aims to reform social protection systems in the areas of combating poverty and social exclusion, retirement, health care and long-term care. As a result, unemployment payments, incapacity benefits, maternity benefits and benefits received by people with disabilities and victims of an industrial accident or work-related illness are not taken into account by this important process. The EESC recommends that the social welfare activities of the OMC be extended to all allowances to replace loss of income. It recommends in particular the introduction of monitoring to study what is an appropriate level for the allowances paid out.

1.9 The EESC points out that the modernisation of our social protection systems involves striking an efficient balance between, on the one hand, incentives designed to increase the labour supply and, on the other hand, measures intended to ensure adequate social protection by guaranteeing the effectiveness of expenditure in this area. As regards the first aspect, it would like to stress that income should not be the only element to be taken into account. Other factors such as

the availability, effectiveness and quality of childcare, arrangements to improve accessibility for people with disabilities, infrastructures for placing job applicants, training, education and public health have an important role to play ⁽¹¹⁾. The EESC therefore once again stresses its willingness to see the OMC strengthened by the implementation of measurable objectives as regards social welfare, especially as regards replacement or cover rates, but also as regards access to public services ⁽¹²⁾. In addition, the Committee notes that the general use of activation schemes is not the subject of special attention under the OMC for social protection. It recommends that a report be drawn up by the Committee for Social Protection in order to study if these arrangements for activation are indeed the result of a balance between the values of solidarity, responsibility and cohesion.

1.10 The EESC wishes to stress the essential role that the representatives of civil society and the social partners can play in all matters related to the modernisation of social protection systems and the strengthening of the OMC as a democratic process.

2. Introduction and placing in context

2.1 Social protection represents an important instrument for redistribution and solidarity, and its organisation and financing fall under the responsibility of the Member States. Systems vary enormously as each is constructed in a specific manner within each of the Member States. Social protection is at the very heart of the European project, as attested by Article 9 of the Treaty on the Functioning of the European Union ⁽¹³⁾, and Article 34 of the Charter of Fundamental Rights ⁽¹⁴⁾, which recognises and respects:

- on the one hand, *the entitlement to social security benefits and social services providing protection in such cases as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment;*
- and on the other, *the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources.*

2.2 In addition to providing adequate revenue for people not in active employment or covering social risks, social protection should also play an active role in supporting the employment transition process, especially in terms of helping people to successfully integrate into the labour market.

⁽⁸⁾ European Parliament Resolution of 6 May 2009, 2008/2335(INI).

⁽⁹⁾ EESC opinion, OJ C 221 of 28 August 1989 and OJ C 128/15 of 18 May 2010.

⁽¹⁰⁾ Council Recommendation of 24 June 1992, 92/441/EEC, OJ L 245 of 26 August 1992.

⁽¹¹⁾ EESC opinion, OJ C 302/86 of 7 December 2004.

⁽¹²⁾ EESC opinion, OJ C 128/10 of 18 May 2010 and OJ C 302/86 of 7 December 2004.

⁽¹³⁾ Article 9 of the TFE, OJ C 115 of 9 May 2008.

⁽¹⁴⁾ Charter of Fundamental Rights, OJ C 364 of 18 December 2000.

2.3 Considering the impact of the 2008 financial crisis, social protection systems have not only helped to shield Europeans from the most severe effects of the financial crisis but have also played a counter-cyclical role in stabilising the economy⁽¹⁵⁾. In the absence of ambitious convergence policies, these systems could be jeopardised by, in particular, competition practices developed by certain Member States which use a fall in social expenditure as a lever to attract foreign investment. This process, which is already a reality in the areas of taxation and pay levels, is tending to expand into the field of social matters⁽¹⁶⁾.

2.4 On the eve of the implementation of the new Europe 2020 Strategy, it is important to remember that economic growth and increased employment is not in itself sufficient to ensure better social cohesion. Inequalities have often widened over the last ten years, while poverty and social exclusion remain a major problem in most EU countries⁽¹⁷⁾. The EESC would emphasise the need to combat these phenomena by policies which are not basically reactive and concerned with compensation but which are also preventive and proactive, in order to tackle situations of poverty upstream. One phenomenon in particular that springs to mind is that of childhood poverty, which can determine the whole development and later life of the person concerned.

2.5 Social protection in general and social welfare benefits in particular face four major challenges today:

- the impact of the crisis, which has led to an increase in unemployment spending due to numerous job losses, and the resulting strain on public finances. In order to avoid getting bogged down in long-term unemployment, it is necessary to continue improving and modernising social protection systems in order to establish an active and secure framework to ensure that people have access to and are able to return to good quality jobs, while at the same time ensuring that these systems will last;
- the ageing population, which will have significant repercussions for the pension and healthcare sector. Solidarity between the generations means that it is necessary to ensure that pensions are sufficient and to invest in all requirements relating to this phenomenon, particularly dependency support;
- the unacceptable growth in poverty and inequality. The poverty reduction objectives defined in the new Europe 2020 Strategy are ambitious. They require a coordinated effort by the Member States in a whole host of areas for political action in partnership with the social partners and civil society;

⁽¹⁵⁾ European Commission, Committee for Social Protection, *Growth, employment and social progress in the EU – Key messages*, Manuscript, September 2009.

⁽¹⁶⁾ Klaus Busch, 'World Economic Crisis and the Welfare State – Possible solutions to reduce the economic and social imbalances in the world economy, Europe and Germany.' International Policy analysis, Friedrich Ebert Stiftung, February 2010.

⁽¹⁷⁾ Idem 15.

- the need to enhance the well-being and social cohesion of the people of Europe. In recent years, people have shown that they expect great things from new social policies that are socially effective and progressive and economically sustainable.

3. Adequate allowances to replace income

3.1 Social welfare benefits are designed to provide a guaranteed income during a period of unemployment, after retirement, during a period of illness or due to a disability, and thus play a leading role in social protection systems. Irrespective of how they are financed, their founding principles (insurance-based or universal) or their payment procedures, they all aim to guarantee a stable and adequate income when such social risks occur. In this connection, they play an important role as a safety net both for individuals and society in general. They must be regarded not as a burden but as a productive investment that benefits everyone.

3.2 The major upheavals suffered by European economies and societies due to globalisation, technological changes, the emerging phenomenon of population ageing and, more recently, the economic recession which occurred in 2008 have led to far-reaching changes for social protection systems in general and allowances to replace income in particular. The so-called modernisation policies that have been pursued over the last twenty years aim primarily to improve the public finances of the various Member States and ensure economic growth, in particular through high employment rates. This has led to welfare allowances being given a leading role as an incentive to boost participation in the labour market.

3.3 The Committee is quite aware that the level of protection provided by these allowances is heavily dependent on public financing, which is currently under severe pressure because of the recession and issues surrounding population ageing. However, it wishes to point out that it rejects *'steps that would jeopardise solidarity, which underpins social protection and serves Europe so well'*⁽¹⁸⁾. The granting of allowances which partially maintain standards of living is essential to guaranteeing a better distribution of goods and incomes and social cohesion. Similarly, the Committee would like to stress the importance of arrangements which aim to adapt allowances to the development of living standards. It is also the reason why the Committee feels it is necessary to set up a monitoring unit as part of the OMC to see that the level of the allowances granted is adequate.

3.4 The EESC calls for the implementation of a Social Action Programme that should be based on positive collaboration between Member States to combat any temptations to indulge in a *'competitive "race to the bottom" in terms of social rights, social protection and working conditions'*⁽¹⁹⁾.

⁽¹⁸⁾ Idem 5.

⁽¹⁹⁾ Idem 1.

3.5 *Unemployment: strengthening social protection as an investment for the benefit of both economic competitiveness and social integration*

3.5.1 Unemployment insurance is an essential social advantage, since it aims to protect any worker from the effects of dismissal or restructuring. Its objective is to ensure an appropriate and stable level of resources, which is the first condition for protecting job mobility and, by the same token, ensuring that a person finds a new job ⁽²⁰⁾.

3.5.2 Unemployment insurance cannot consist simply of granting allowances, but must be coupled with appropriate and dynamic support measures to help people get a quality job. Such active policies have to guarantee that people have accompaniment tailored to their requirements and access to training that provides qualifications ⁽²¹⁾. In addition, other factors such as the availability, effectiveness and quality of childcare services, access arrangements for people with disabilities, and teaching and public health infrastructures have an important role to play ⁽²²⁾. The public authorities should ensure that these factors, which are essential for smoothing the transfer from one job to another, are in place.

3.5.3 Moreover, the EESC considers that it is necessary to take structural improvement measures in order to create a really inclusive labour market ⁽²³⁾. It should be pointed out here that a framework agreement for an inclusive labour market was concluded on 9 December 2009 as part of the social dialogue. This agreement mentions the social partners' wish to promote inclusive labour markets, maximise the labour force potential in Europe, boost the employment rate, and improve the quality of jobs, including training and the development of skills.

3.5.4 The Committee thinks that some degree of convergence is necessary in order to make work worthwhile by ensuring that employment really is a more interesting choice financially. Coordinated policies need to be implemented on welfare, wages and taxes so that lowly-paid and low-skilled persons can obtain a worthwhile job and escape from poverty and unemployment ⁽²⁴⁾.

3.5.5 Unemployment benefits associated with dynamic labour market policies can stabilise the economy and promote active adaptation to change thanks to the improvement of skills and effective initiatives on job-seeking and retraining ⁽²⁵⁾. However, steps should be taken to ensure that the activation

policies currently being followed within all the Member States are indeed the fruit of a balance between the values of solidarity, responsibility and cohesion and do not contain any risks in terms of inequalities, disparities between categories or isolation in atypical, low-skilled and/or poorly paid jobs. In addition, it is advisable to remain cautious about measures which aim to tighten eligibility criteria, particularly in times of recession when the demand for labour is low. The risk is that persons who are excluded will be further marginalised, which represents a major obstacle to finding a/another job. Such weeding-out policies may also have a perverse effect of displacing people to other welfare sectors, such as social assistance or work incapacity, which is undesirable.

3.6 *Pensions: adequate pensions to meet the challenge of an ageing population*

3.6.1 As the number of pensioners in Europe is increasing and the proportion of people of working age is falling, the European Union has encouraged the Member States to start reforming their pension schemes so as to make sure that pensions remain adequate and sustainable. Basically, the reforms seek to: (i) provide incentives for people to work longer, (ii) encourage people to have supplementary pensions, (iii) match the allowances paid more closely to social security contributions, (iv) take account of the average lifespan when setting allowances, (v) provide adequate funding for minimum pensions, and (vi) grant pension rights credits for periods spent in care and automatic or semi-automatic review machinery.

3.6.2 The rate of risk of poverty remains particularly high among people aged 65 or more (20 % on average in the 27 EU countries against 17 % for the population as a whole), particularly for women (where the rate reaches 22 %). This leads to a problem over whether the level of retirement pensions is adequate compared with the incomes received by the rest of the population. The aim of a retirement pension is to provide pensioners with a secure income to replace that received when a person was working, bearing in mind the persons previous standard of living. In future, measures need to be taken to reduce the income gaps between the pensions paid to men and those paid to women and also to guarantee correct cover for the age risk for people working in non-typical jobs or who have followed non-typical career paths. The segregation which still exists on the labour market between men and women has a major impact on the acquisition of pension rights and, consequently, on women's prospects of having a pension ⁽²⁶⁾. The EESC would also like to stress that the generalised use of schemes providing a minimum pension has a major role to play in combating poverty among the elderly. The EESC urges the Committee for Social Protection and the OMC to pay particular attention to this point.

3.6.3 Public pension schemes are the main source of retirement pensions. So, it is vital that everything is done to ensure that they are long-lasting and financially viable. The

⁽²⁰⁾ Florence LEFRESNE, 'Regard comparatif sur l'indemnisation du chômage: la difficile sécurisation des parcours professionnelles', *Chronique internationale de l'IRES* – n°115, November 2008 p. 23.

⁽²¹⁾ Idem 18.

⁽²²⁾ Idem 11.

⁽²³⁾ Idem 5.

⁽²⁴⁾ Idem 11.

⁽²⁵⁾ Idem 2.

⁽²⁶⁾ Idem 11.

EESC feels that the best way to guarantee appropriate funding for such schemes is to have a high employment rate and supplementary funding measures, which certain Member States have implemented. These schemes are based on the principle of solidarity and form links between and within generations which help to ensure social cohesion. They also make it possible for people to acquire pension rights during periods of unemployment or career breaks due to illness or family circumstances. Their financial stability proved its worth during the financial crisis of 2008.

3.6.4 In addition to these public pension schemes, supplementary pension schemes have developed. These can provide pensioners with extra income and for this reason they should be made available to all employees. However, they should not be seen either as an alternative solution to the problem of the viability of public pension schemes or, above all, as a reason to call them into question. In the interests of both contributors and pensioners, the development and setting-up of such supplementary schemes must meet certain conditions, and in particular be governed by a European regulatory framework developed in collaboration with the social partners. They should not just be investment funds to provide a guaranteed personal pension but should also take care to cover the life contingency risk and ensure an income during periods of illness, or even of unemployment or absences due to family circumstances. Access to these supplementary schemes should be guaranteed to all workers in a sector or firm. The principle of equal treatment for men and women should be applied. The social partners should be involved in the negotiations to set up such schemes and in monitoring the management of them. Finally, care should be taken to promote investments that have a positive impact on jobs and discourage those that are purely speculative.

3.7 Occupational incapacity: an important safety net for workers suffering an illness or disability

3.7.1 In addition to unemployment and pensions, the third category of allowances to replace income concerns those received by victims of occupational incapacity, disability, industrial accidents or an occupational disease. This raises not only the question of how to provide an adequate replacement income but also that of how people are to return to their old job or get a new one. The EESC would like to recall its position as expressed in its previous opinion on social integration⁽²⁷⁾. While receiving an income is an essential condition for being able to live independently, it is not necessarily a sufficient one. In many cases, finding jobs for the persons concerned is still not being proper attention despite the legal provisions adopted for this purpose. In practice, the arrangements for providing guidance for people or helping them to return to their old job or find a new one are often cumbersome and unsuitable.

⁽²⁷⁾ Idem 5.

3.7.2 People who are unable to work must be guaranteed sufficient income assistance to be able to live with dignity. Allowances granted in such cases must not only take account of the need to maintain an appropriate standard of living but also specific expenditure that people have to pay out in connection with their illness or disability. Policies seeking to guarantee accessible and quality health care also have a vital role to play here as do those which encourage the development of infrastructures and social services set up in situations of dependency in order to guarantee a life with dignity (see home care and assistance services, aid by outside parties, etc.)

4. Minimum income and social inclusion

4.1 In its opinion of 12 July 1989 on poverty⁽²⁸⁾, the EESC recommended the introduction 'of a minimum social income, both to act as a safety net for the poor and to boost their reintegration into society'. This opinion is quoted in the Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems,⁽²⁹⁾ which recommends the phasing-in of a resource guarantee as part of the social protection arrangements of the various Member States within a period of five years. Almost twenty years later, and at a time when the EU has made 2010 the year for combating poverty, it has to be said that these requests and recommendations have remained a dead letter. In 2008, the Commission specified in its Recommendation of 3 October 2008 on active inclusion⁽³⁰⁾ that the Recommendation of 1992 'remains a reference instrument for Community policy in relation to poverty and social exclusion and has lost none of its relevance, although more needs to be done to implement it fully'. More recently, in its Resolution of 6 May 2009 on the active inclusion of persons excluded from the labour market⁽³¹⁾, the European Parliament 'calls on the Member States to implement adequate income support so as to fight poverty and social exclusion' and 'points to the need for an adequate income support level based on Recommendations 92/441/EEC and 2008/867/EC which must be adequate, transparent, accessible to all, and sustainable over time'.

4.2 In accordance with the Council Recommendation of 24 June 1992, the EESC considers that this support guarantee must be fixed taking into account the existing standard of living in each Member State. This involves referring to indicators that are appropriate, for example the average disposable income available in the Member State, statistics on households' consumption, the legal minimum wage, if that exists, or the level of prices. This minimum income may also be adapted or supplemented to meet specific needs. This means mainly housing assistance, policies guaranteeing access to quality health care or covering the medical costs of heavily dependent persons that have already implemented been by

⁽²⁸⁾ EESC opinion, OJ C 221 of 28 August 1989 and OJ C 128/10 of 18 May 2010.

⁽²⁹⁾ Idem 10.

⁽³⁰⁾ Commission Recommendation of 3 October 2008, 2008/867/EC, OJ L 307 of 18 November 2008.

⁽³¹⁾ Idem 8.

various Member States. The EESC supports the EP's initiative ⁽³²⁾ in that it seeks to improve the Council Recommendation of 1992 and states that '*social assistance should provide a adequate minimum income for a dignified life, at least at a level which is above the "at risk of poverty" level*'. However, attention will have to be paid to any interactions that might take place between this income guarantee, which may or may not be coupled with related payments such as housing assistance, and other social security benefits. Steps must be taken to prevent recipients of social security allowances finding themselves in less favourable situations, which would obvious give rise to some perverse effects.

4.3 The EESC points out that the introduction of a minimum income has to be envisaged as a part of policies on active social inclusion and access to quality social services. From this point of view it supports the position of the European Parliament ⁽³³⁾, which '*suggests that the Member States actively consider a minimum*

wage policy in order to tackle the growing number of "working poor" and make work a viable prospect for those distant from the labour market'. The EESC would also like to say that persons who are unable to take part in the labour market due to their age, state of health or disability must not be forgotten. It shares the view of the European Parliament ⁽³⁴⁾ when it states that '*active inclusion must replace social inclusion*' and '*therefore a minimum income and accessible and affordable high-quality social services must be available regardless of a persons ability to participate in the labour market*'.

4.3.1 The EESC considers that the phasing-in of a guaranteed minimum level of income is necessary in order to achieve the objective of reducing poverty included in the Europe 2020 Strategy and should be envisaged using a new instrument that would provide more effective support for the policies to combat poverty pursued within the various Member States.

Brussels, 14 July 2010.

The President
of the European Economic and Social Committee
Mario SEPI

⁽³²⁾ Idem 8.

⁽³³⁾ Idem 8.

⁽³⁴⁾ Idem 8.