

Kuang, Lida; Lee, Ji-eun

Research Report

European Social Protection Trends and Proposals for Basic Income in the Post-COVID-19 Era: A Focus on Social Exclusion

FRIBIS Policy Debate, No. April 11, 2023

Provided in Cooperation with:

University of Freiburg, Freiburg Institute for Basic Income Studies (FRIBIS)

Suggested Citation: Kuang, Lida; Lee, Ji-eun (2023) : European Social Protection Trends and Proposals for Basic Income in the Post-COVID-19 Era: A Focus on Social Exclusion, FRIBIS Policy Debate, No. April 11, 2023, Albert-Ludwigs-Universität Freiburg, Freiburg Institute for Basic Income Studies (FRIBIS), Freiburg

This Version is available at:

<https://hdl.handle.net/10419/280328>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

**Policy Paper – FRIBIS Winter School
European Social Protection Trends and Proposals
for Basic Income in the Post-COVID-19 Era: A
Focus on Social Exclusion**

Lida Kuang*, Ji-eun Lee**

(Despite the paucity and insufficiency of empirical data for assessing the impacts of the pandemic on social exclusion, this report draws on recent research and data.)

Trends in Social Exclusion after COVID-19

Beyond poverty, social exclusion refers to a lack of social or economic inclusion and inequality, a lack of social cohesion, and is the antithesis of well-being (UNECE, 2022a, p. 16). To be more specific, it can manifest an ongoing absence of tangible resources, such as money, employment, and housing, as well as intangible resources, such as security, social connections, civil and political rights (p. 59). This complex social issue necessitates the development of solutions that are not limited to addressing a single face and places more emphasis on the resources available to the community as a whole than to those held by individuals, as well as on the connections among members of the community (UNECE, 2022b).

The European commission has made it part of its action plan to alleviate the current situation of social exclusion, and indeed, until 2019, the percentage of social exclusion decreased year by year, as shown in figure 1. However, the COVID pandemic has exacerbated this situation, social exclusion has been on the rise again since 2019. The percentage of social exclusion in the EU-27 countries decreased from 24.0% in 2015 to 21.7% in 2021, but the number remains high, at 95387 thousand (Eurostat, 2022). Moreover, it can be observed, in Figure 2, that there are substantial disparities between countries in the proportion of social exclusion. (Because the data for 2021 are not yet fully recorded

for each European countries, we have used 2015 and 2020 for our comparison.)

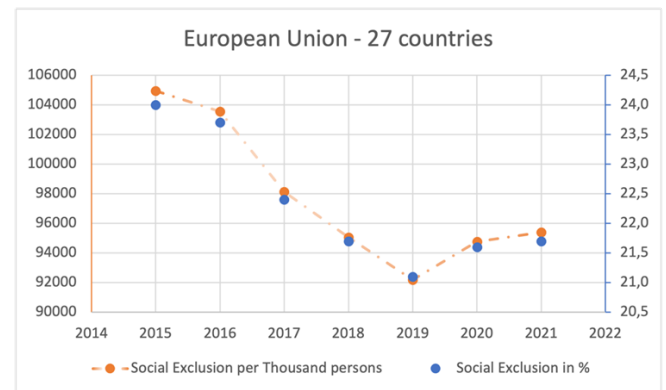


Figure1, Source: Eurostat, ilc_peps03n

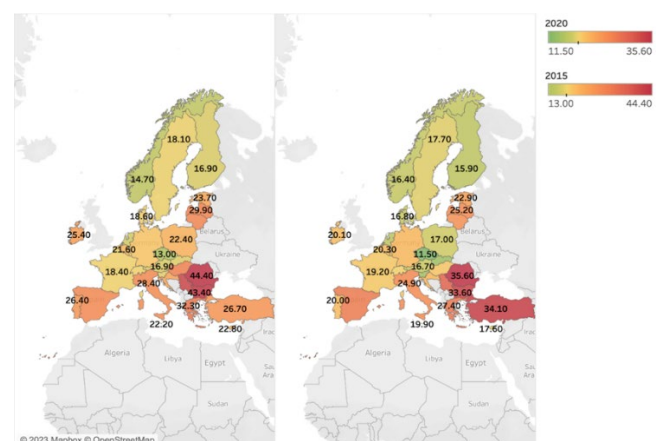


Figure 2: Social exclusion (%) in Europe 2015(left) versus 2020(right). Source: Eurostat, ilc_peps03n

Broadly speaking, social exclusion is related to sex, age, education, activity status, but it is most closely related to income, especially low-income people. As can be seen in Figure 3, if we broke down income by quantiles, the lowest 20% of the population in terms of income would face almost total social exclusion, while the highest 20% of the population is only effected by about 1.2% of it.

Trends in Social Protection System Reform in the Aftermath of COVID-19

The COVID-19 pandemic has led to an increase in government expenditure on social protection in the EU, with many countries implementing emergency measures to support individuals and businesses during the crisis. According to Eurostat, total government expenditure on social protection in the EU-27 countries has increased from €2,010.3 billion in 2019 to €2,129.7 billion in 2020, with an estimated €2,330.5 billion in 2021. Since 2020, more than 20% of GDP has been invested in social protection benefits expenditure in the 10 EU member states, especially in the health sector and compensation for the unemployed: France (27.3%), Finland (25.7%), Italy (25.2%), Austria (22.9%), Belgium (22.7%), Greece (22.5%), Denmark (22.4%), Spain (22.1%), Germany (21.8%), and Luxembourg (20.6%) (Eurostat, gov_10a_exp).

A review of major reforms to social protection systems in the 27 EU countries since COVID-19 reveals that many have extended or expanded existing social protection and social inclusion schemes (It included sickness benefit schemes, short-time work schemes, unemployment benefits, pensions, minimum income, leave for parents having to care for children during the closure of child facilities, as well as long-term care provision), while also relaxing eligibility requirements (Baptista et al., 2021). (In 2021, ESPN published a synthesis report that analyzed and evaluated measures implemented in 35 countries, including the EU 27, between early February 2020 and mid-April 2021.) Most governments responded quickly to implement measures to provide additional protection to vulnerable populations, with nine out of ten relevant EU countries implementing some or all of these measures in the first half of 2020.

Particularly in relation to income support, including minimum income scheme (MISs), these measures were primarily adjustments to existing schemes, with mechanisms to facilitate access e.g., relaxed eligibility criteria), increased benefit levels and additional allowances, as well as

extensions of the duration of benefits. In most countries, this support aimed to strengthen protection for people with few or no connection to the labor market, such as children, students, social assistance beneficiaries and those directly affected by the pandemic (Baptista et al., 2021: 73-82). These were categorized as non-work-related support measures and included both means-tested and non-means-tested assistance, e.g., increased child support, increased support for students and/or young adults, as well as increased support for social assistance). Some countries also introduced entirely new emergency aids, although these were temporary and not institutionalized (Baptista et al., 2021). Baptista et al. (2021) reports that in Serbia, seven rounds of direct grants were issued: three in 2020 (to all pensioners and beneficiaries of disability assistance, as well as all adult citizens), and four in 2021 (targeting the same groups as in 2020 and all unemployed persons registered by mid-April 2021). Additionally, in Malta, in an effort to stimulate consumption, all citizens over the age of 18 received €100 in cash vouchers in May 2020, which were divided to be used in both retail stores and hospitality services (Baptista et al., 2021, pp. 81, 103).

Although social protection systems have contributed to mitigating the pandemic crisis, the COVID-19 pandemic has highlighted the importance and challenges of ensuring accessible and adequate income support for marginalized and disadvantaged populations (Baptista et al., 2021). Eurofound (2021) emphasizes that low-educated and low-skilled people, women, the elderly, young people and children, people with disabilities, single parents, migrants, refugees, and the homeless have been hit hardest by the pandemic. Pre-existing income support systems that relied on means-testing and conditionality can exacerbate the hardships faced by vulnerable people during the pandemic. These problems are increasingly apparent in countries where the coverage and sufficiency of existing MISs have been inadequate, leading to the temporary implementation of new forms of income security mainly in these countries. Despite the need for

further investigation, it is evident that the pandemic has intensified poverty, inequality, and social exclusion, particularly among susceptible cohorts. The pandemic has brought to light the importance of MISs and has generated greater attention towards ensuring appropriate coverage and levels.

Proposal to Combine EPSR and Universal Basic Income

In response to the significant impact of COVID-19 on jobs and welfare systems across Europe, the European Pillar of Social Rights (EPSR) Action Plan was published by the Commission in March 4, 2021. This plan acknowledges the diversity in the adequacy, coverage, and take-up of MISs. Among its priorities is the need to reduce inequalities, defend fair wages, combat social exclusion and poverty, promote equality and fairness, support young people, and address the risk of exclusion of vulnerable social groups. Principle 14 of the EPSR stipulates that “everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life and effective access to enabling goods and services”. However, the majority of social protection responses in the EU 27 have been limited to modifying and adjusting existing benefits and taking temporary measures.

MISs play an important role in the current goal of promoting sustainable development by acting as a social protection system that offers means-tested financial support to individuals whose fundamental needs are not covered by other resources (ICF & Istituto per la Ricerca Sociale, 2019, p. 6; Almeida et al., 2022, p.31). However, if social exclusion should be addressed through group approaches (Peleah & Ivanov, 2013, p.1), financial support with a ‘means-test’ cannot be accessible to all. Plus, even in the most lenient cases, reductions in benefits are frequently accompanied by the loss of means-tested fee waivers or discounts (van Parijs & Vanderborght, 2020, p.16).

The pandemic has presented challenges to strengthen the adequacy and coverage of MISs, leaving the possibility to improve the system

accordingly. Instead of means-testing benefits, a universal basic income (UBI) could be implemented within EPSR in the post-pandemic era. UBI can mitigate the negative effects of the crisis and protect those at risk of poverty or social exclusion by strengthening mechanisms that guarantee people's right to an adequate income. Due to its important institutional characteristics of being unconditional, individualized, and universal, it could be the most efficient way to escape the poverty trap, unemployment trap, and uncertainty trap. Moreover, depending on how it is designed, UBI can promote social inclusion. The evidence of the research in Brazil suggests that basic income schemes combined with public savings bank policies, such as the new monetary channel in economic dimension, have been far more effective in promoting financial inclusion and social justice than private banks or non-governmental microfinance organizations (Mettenheim & Lima, 2014).

In sum, the benefits of implementing UBI during the coronavirus crisis include a proactive response to uncertainty and social risks and a reduction in the rate of social exclusion of marginalized groups. In the era of climate crisis, UBI can play a role in promoting social inclusion and moving towards a sustainable society by actively establishing natural and artificial commonwealth models, such as carbon taxes-carbon dividends and the establishment of a Commons Fund as proposed by Standing (2019).

***Lida Kuang**, Ph.D. candidate in Economics at FRIBIS.

**** Ji-eun Lee**, PhD candidate in Economics at Chung-Ang University, Seoul, South Korea.

References

Baptista, I., Marlier, E., Spasova, S., Peña-Casas, R., Fronteddu, B., Ghailani, D., Sabato, S. and Regazzoni, P. (2021). *Social protection and inclusion policy responses to the COVID-19 crisis – An analysis of policies in 35 countries*. European Social Policy Network (ESPN), Luxembourg: Publications Office of the European Union.

Eurostat. (2022). *Persons at risk of poverty or social exclusion by age and sex - EU 2020 strategy*.
https://ec.europa.eu/eurostat/databrowser/view/IILC_PEPS01_custom_2621392/default/table?lang=en

ICF, & Istituto per la Ricerca Sociale. (2019). *Peer Review on „Minimum Income Benefits – securing a life in dignity, enabling access to services and integration into the labour market“--Synthesis Report*.
<https://ec.europa.eu/social/main.jsp?catId=89&newsId=9229&furtherNews=yes&langId=en&>

Mettenheim, K. E. von, & Lima, M. F. F. de. (2014). Monetary channels of social inclusion: a case study of basic income and the Caixa Econômica Federal in Brazil. *Revista de Administração Pública*, 48(6), 1451–1474.
<https://doi.org/10.1590/0034-76121500>

Peleah, M., & Ivanov, A. (2013). *Measuring Intersecting Inequalities through the Social Exclusion Index: A Proposal for Europe and Central Asia*.
http://www.unece.org/fileadmin/DAM/stats/documents/ece/ces/ge.15/2013/WP_22_UNDP_DE_n.pdf

Standing, G. (2019). *Plunder of the Commons: A Manifesto for Sharing Public Wealth*. London: Penguin UK.

UNECE. (2022a). *Approaches to Measuring Social Exclusion*.
<https://unece.org/statistics/publications/approaches-measuring-social-exclusion>

UNECE. (2022b, Mai). *Left out? UNECE report guides measurement of social exclusion*.
<https://unece.org/statistics/press/left-out-unece-report-guides-measurement-social-exclusion>

Van Parijs, P., & Vanderborght, Y. (2020). Basic income: A radical proposal for a free society and a sane economy (excerpts). *Ekonomicheskaya Sotsiologiya*, 21(1).

<https://doi.org/10.17323/1726-3247-2020-1-44-59>