



Peer Review on “Minimum income benefits – securing a life in dignity, enabling access to services and integration into the labour market”

Thematic Discussion Paper

Minimum income in the EU policy agenda

Policy framework and developments at EU level

Germany, 15 – 16 November 2018

DG Employment, Social Affairs and Inclusion



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion

Unit C.1

Contact: Alberto Cortellese

E-mail: EMPL-SPSI-PEER-REVIEWS@ec.europa.eu

Web site: <http://ec.europa.eu/social/mlp>

European Commission

B-1049 Brussels

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Table of Contents

1	Introduction	1
2	Setting the scene	1
2.1	Poverty situation in the European Union	1
2.2	Policy Framework	3
3	Approaches to designing minimum income systems in the participating countries	4
4	Effectiveness of measures	8
4.1	Benchmarking framework for minimum income schemes.....	8
4.2	Findings for the participating Member States based on the benchmarking framework	18
5	Conclusions	19
6	List of references	20
7	Annexes	21

1 Introduction

Social protection systems smooth and redistribute incomes over the life cycle, insuring people against the financial implications of social risks, such as job loss, weak health conditions, or old age, and contribute to prevent and alleviate poverty. Support is provided in cash to replace or supplement work income (such as unemployment benefits, sick benefits, pensions, or child benefits) or in kind through the provision of services such as training or job search assistance, health care, child care. In this context, minimum income benefits in individual Member States should be considered in view of the wider support provided by welfare systems. Minimum income schemes are last resort schemes combating poverty and social exclusion. Such benefits should ensure a life in dignity for individuals and their dependants at all stages of life combined with effective access to enabling services and activation measures.

As cash support, minimum income schemes across Europe play a vital role in alleviating the impact of poverty and social exclusion in many countries. Almost all EU countries have some form of minimum income scheme at national level¹. In Member States, a number of other entitlements are targeted at those most in need and the spectrum of such arrangements varies a lot between and within Member States. This is due to various design aspects, as the level, coverage, eligibility of benefits and their link to activation (where applicable), but also to the interplay with other benefits (housing, family and children, etc). One of the primary goals of minimum income is reducing (the severity of) poverty at times of prolonged inactivity or unemployment, when rights to replacement incomes have been exhausted. The social assistance benefits provided for working age people and their households complement other benefits such as unemployment benefits, which are first level safety nets in case of losing a job.

2 Setting the scene

2.1 Poverty situation in the European Union

While poverty and social exclusion situation has decreased for a fifth consecutive year and improved markedly in 2017, falling to 22.5%, the total number of people at risk of poverty or social exclusion remains high (113 million), though around 5 million lower than in 2008. It remains challenging for Member States to reach the Europe 2020 poverty and social exclusion target of lifting at least 20 million people from the risk of poverty or social exclusion by 2020. Furthermore, there are considerable differences in the proportion of population at risk of poverty or social exclusion across Member States. While improvements are particularly apparent in Romania, Cyprus, and Poland, for which the number of persons at risk of poverty or social exclusion (AROPE) fell by more than 2% between 2016 and 2017, the difference between levels is still significantly high; ranging from below 17% in Czech Republic, Finland, Slovakia and the Netherlands to above 34% in Bulgaria, Romania and Greece.

Looking at sub-components of the AROPE, monetary poverty remains the most significant challenge. The number of people at risk of poverty (AROP) rose for several years following the crisis, driven by the weak economic and labour market

¹ In Greece, a national level scheme was launched in February 2017 after completing a pilot exercise in 2016. In Italy first steps were taken to launch a gradual roll-out of a social assistance scheme at national level in 2018.

In Spain, the autonomous regions have full responsibility on minimum income schemes and the designs are varying from one region to another.

situation, reaching a peak of 87 million in 2016. However, as a share of the population, the people at risk of poverty has somewhat fallen by 2017 to 16.9%, thanks to the recovery and improving labour market conditions. Still, it remains slightly above the pre-crisis level of 16.4% in 2009 except for 6 Member States only. The indicator is above 20% in the Baltics and in the southern countries, like Spain, Italy, Greece, Bulgaria, Romania, and Croatia but below 13% in the Czech Republic, Slovakia, Denmark, Finland or around 13% in France, the Netherlands, Slovenia and Hungary.

The number of people suffering from severe material deprivation (SMD) has been declining since 2013 and in 2017 reached the lowest level ever recorded. This figure amounts to 6.9% of the EU population (from 7.5% in 2016). A significant variation remains between Member States with Finland and the Netherlands having severe material deprivation (SMD) shares of less than 3%, while at the other end of the spectrum observing Bulgaria with a rate of 30%, followed by Greece (21.1%) and Romania (19.4%). Its decrease is the main driver behind the reduced number of people at risk of poverty or social exclusion.

The improved labour market situation led to a decrease in the share of people living in (quasi) jobless households. This share amounted to 9.3% in 2017, declining from the 2014 peak of 11.3%. Over a longer time horizon, it returned to around its 2008 level (9.2%). The range varies between 5.4% and 15.6%, having higher than 10% in Spain, Italy, Greece, Bulgaria, Croatia, Belgium and Finland. Best performers in this respect are the Central European Member States, like Poland, Czech Republic, Slovakia, Slovenia, completed by Estonia, below or around 6%.

Further to the headline indicators of the EU2020, after increasing since the aftermath of the crisis, income inequality has declined for the first time in 2017. The richest 20% of the population had a disposable income that was around five times higher than that of the poorest 20% in 2017, with large disparities across countries (and an increase in inequality in some). The persistence of relatively large income inequalities, often linked to unequal opportunities in access to education, training and social protection, and reflecting poor labour market outcomes, raises concerns in terms of fairness, social inclusion and sustainable growth.

While AROP rate started to decline, the poverty gap, which measures how far away from the poverty line those at risk of poverty are, dropped modestly from 25% to 24.7% in 2017, yet remaining well ahead of pre-crisis levels. For the unemployed, the poverty risk declined for the first time since the crisis, yet at 48% it remains near record-high levels. The at risk-of-poverty rate for persons living in households with very low work intensity has increased for a fourth consecutive year, and is now at a record-high 62.3%. This points to remaining gaps in the adequacy of social benefits in several countries and has been identified as a trend to watch by the SPC. Moreover, the rate of in-work poverty in 2017 remains high. 9.6% of the working population had household income below 60% of the national median in 2017, a figure that was unchanged from 2016, and which remains well above the 2008 figure of 8.5%.

The performance of Member States varies as regards the impact of social transfers on reducing poverty. This indicator has fallen modestly in line with reduced automatic stabiliser effects, however considerable variation persists among Member States. Social transfers excluding pensions reduced poverty risk by 32.4% in 2017, as against 33.2% in 2016, a continuation of a trend that marks continuing labour market improvement. The size of the poverty reducing impact of transfers varies considerably across Member States, and many countries with the highest poverty risk also have the weakest impact of social transfers (Greece, Italy, Romania,

Bulgaria and Latvia). On the other end, highest impact of social transfers is observed in Finland, Denmark and Sweden.

2.2 Policy Framework

[The European Pillar of Social Rights \(EPSR\)](#) touches on many aspects of fighting poverty and securing social inclusion. It includes 20 principles and rights to support fair and well-functioning labour market and welfare systems. Among those, most relevant to this thematic paper is the principle 14 on minimum income. Given the non-legal nature of the Pillar, its principles and rights are not directly enforceable and will require a translation into action at the appropriate level. The European Semester has been and remains an important vehicle to monitor developments at EU and Member State level and promotes reforms according to national specificities covering the wide span of the Pillar.

Principle 14 of the EPSR on minimum income builds on former policy including the **1992 Council Recommendation on common criteria on sufficient resources and social assistance in social protection systems**², that first recognised the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity, and provided practical guidelines on how to implement this right.

Further input was given by the [European Commission Recommendation on the active inclusion of people excluded from the labour market](#)³ endorsed by the Council⁴ and the Parliament in **2008**. It stressed that the effectiveness of integrated active inclusion policies should be ensured by designing a comprehensive policy setting out the right balance between the following three strands: adequate income support, inclusive labour markets and access to quality services⁵. The recommendation also called for the right balance between work incentives, poverty alleviation and sustainable budgetary costs. Furthermore, it highlighted the need for simplified administrative procedures, appropriate coordination between local, regional, national and EU authorities, and called for informing all people, including the least privileged of their rights and availability of their support.

In 2013, the European Commission's [Social Investment Package](#) (SIP) reviewed the implementation of the 2008 Council Recommendation. The assessment acknowledged the need for more explicit, evidence-based guidance for Member States and further mainstreaming the strategy in monitoring the Europe 2020 strategy. It also highlighted the need for targeted support from the European Social Fund and others to boost administrative capacity and policy coordination across the three strands. In its June 2013 conclusions the Council noted that active inclusion principles should feature in social policy reforms, in particular addressing the combination of extreme marginalisation and discrimination that reinforce social exclusion. In June **2016**, the **Council** adopted **conclusions** on an integrated approach to combatting poverty and social exclusion, inviting the Commission to "*Keep the prevention and fight against poverty and social exclusion high on the agenda...*".

² OJ L 245 of 26.8.1992, p. 46.

³ OJ L 307, 18.11.2008, p. 11.

⁴ Council conclusions of 17 December 2008 on common active inclusion principles to combat poverty more effectively.

⁵ European Parliament Resolution of 6 May 2009 on the active inclusion of people excluded from the labour market (2008/2335(INI)).

Furthermore, the [integrated guidelines for the employment policies](#)⁶ and their update⁷ also highlight the various elements of fighting poverty and social exclusion in line with the active inclusion approach and the EPSR.

In **2017**, a [Commission Staff Working Document](#) took stock of the implementation of the 2008 Recommendation. It concluded that the Recommendation has acted as a driver for structural reforms in many Member States, although sometimes focusing on a particular strand, while its overall impact had been uneven. In accordance with the principle of subsidiarity, the Active Inclusion Recommendation leaves it up to the Member States to define the level of income support and establish the appropriate policy mix. In doing so they are meant to take into account the different situations and needs at local, regional and national level.

Several studies confirm that the Member States in which the active inclusion approach is well established have continued fostering relatively good linkages between the three strands, even if some national or local weaknesses persist⁸. These countries have formally acknowledged the need for integrated solutions and have invested substantial efforts in creating more comprehensive responses to people who are disadvantaged on a number of fronts. They have scaled up or adjusted existing policies to deliver enabling labour market policies with effective links between minimum income schemes and access to services. These countries also tend to have the lowest poverty and social exclusion rates.

The document also captured the role of the EU support through the European semester, the EU financial instruments or the Council working groups and provided numerous good practice examples. It concluded that the Recommendation has been an important source of inspiration and has encouraged policymakers to acknowledge that the three strands are interlinked. The trend for integrated approach was more evident in countries in which the ex-ante conditionality on active inclusion of European 'structural funds' – and notably the European Social Fund, – has triggered a move in this direction.

3 Approaches to designing minimum income systems in the participating countries

Practices of the various Member States vary significantly, which should be taken into account when making cross country comparisons of minimum incomes⁹. Differences concern not only the level of support provided and their adequacy in relation to national poverty threshold, but also the degree of fragmentation (in terms of target groups and territorial level) of the national schemes. Moreover, diversity also exists in the possibility of combining in-cash with in-kind transfers.

⁶ See Council Decision of 21 October 2010 on guidelines for the employment policies of the Member States (2010/707/EU)

⁷ See Integrated guidelines to a proposal for a Council decision on guidelines for the employment policies of the Member States 2018.

⁸ See, for instance, studies funded under the European Commission's 7th Framework Programme: A new kid in town? Active inclusion in European minimum income schemes, Sarah Marchal and Natascha Van Mechelen, FP7 Project ImPRovE, 2014; Active inclusion and the fight against poverty: the challenge of integrated services (Lessons from five countries), FP7 Project COPE, 2015; Social Investment in Europe, D.Bouget, H.Frazer, E.Marlier, S.Sabato, B.Vanhercke, 2015; Comparative report on the impact of an integrated approach to social cohesion, CETRO, LOCALISE, 2014.

⁹ See for instance in the study on Minimum Income Policies in the Member States published by the European Parliament in 2017. (prepared by the Policy Department for Economic and Scientific Policy for the Committee on Employment and Social Affairs)

Indeed, minimum income benefits systems interact with other benefits (in particular unemployment, family or housing benefits) but also with the design of tax systems (in particular as regards work incentives). Given the purpose of minimum income schemes and means-testing, it is most likely that applicants are not in employment and have already exhausted rights to unemployment insurance (or have not been eligible from the start). However, it should be acknowledged that in some countries minimum income schemes are also designed in such a way as to provide a 'top-up' income in cases of low work earnings or "low" social security benefits and that the actual income levels can depend on household composition and on other benefits.

Common features of the ten participating countries are that the schemes are means tested, and benefit recipients are frequently required to register at the public employment service and actively seek for a job or participate in activation programmes. The level of benefits and the indexation mechanism vary among the countries. The implementation of the schemes takes place at local level but differs between decentralized (local municipalities) or deconcentrated (local branches of social service offices) way of delivery.

Belgium

A uniform legislative framework at federal level exists in Belgium, which ensures the 'right to social integration'; the law covers all aspects from eligibility conditions to governance arrangements. The right to social integration presents itself mainly as a pathway to employment and/or the provision of a guaranteed minimum income. In terms of coverage, the right to social integration is quasi-universal. Eligibility conditions relate to age, nationality, residence, lack of financial resources, willingness to work, and enforcement of other social rights. There is no specific duration limit, although the right to social integration is reviewed at least every year. The law specifies the rules for implementation, which is delivered by the municipal Public Centres for Social Welfare. The beneficiary has the duty to be cooperative and truthful.

Bulgaria

Bulgaria has several means-tested programmes, but two of them – the monthly social benefits (basic guaranteed minimum income) and the heating allowance – best meet the definition of a minimum income scheme. The legal framework is set at central level defining the means tested benefits. The amount of heating allowance is decided each year by the Minister of Labour and Social Policy on the basis of a clear and transparent mechanism. The level of the guaranteed minimum income is defined by the Council of Ministers on an irregular basis and no indexation mechanism exists – e.g. the last two changes were made in 2009 (BGN 65) and 2018 (BGN 75). The Agency for Social Assistance under the Ministry of Labour and Social Policy is the body responsible for the implementation of social assistance policy in Bulgaria, including for the local delivery of MIB support. The Law on Social Assistance sets the list of eligibility criteria, which have to be verified by the social services. In order to receive monthly social benefits, a person must be registered with the employment service and is required to actively search for a job. In addition, there is a requirement to work 4 hours a day for 14 days a month, usually in municipal public works.

Croatia

The Guaranteed Minimum Income scheme was introduced in the Law on Social Welfare in 2014. The scheme is entirely financed through the central state budget and it is administered by Centres for Social Welfare (CSW) which are deconcentrated units of the Ministry of Demography, Family, Youth and Social

Policy. It is a rights-based scheme, open to all resident citizens. In exceptional cases, it can also be paid to those with temporary residence and to refugees and persons under subsidiary protection. It is means- and asset-tested. The level and the calculations of the benefit is set by Government decision, with a capping at the level of the minimum wage. Setting is not linked to any poverty line whether absolute (based on subsistence minima, reference budgets, food baskets and the like), or relative, in terms of a percentage of the median income. There is no automatic indexing system. The benefit is available to those capable of work and those who are not capable of work, as well as by persons over the age of 65. For those capable of work, receipt of the benefit is conditional on being available for, and actively seeking, work. There is a provision for a tapered withdrawal of benefits on return to employment.

Cyprus

Minimum income support is provided by the Guaranteed Minimum Income (GMI) scheme. The scheme was introduced in 2014 by "*The GMI and Social Benefits Act of 2014*". According to this Law, every person legally residing in Cyprus, who fulfils the relevant eligibility criteria, is entitled to an allowance that ensures a minimum acceptable standard of living. The policy decisions regarding the GMI are taken at national level and the scheme is administered by the Welfare Benefit Administration Service. The GMI is a top-up benefit, defined as the difference between the (estimated) basic and (actual) family income. The basic income is calculated as the minimum monetary income necessary to ensure recipients' access to a consumption basket of goods and services that correspond to the minimum standard of living accepted by the society¹⁰. The value of the basket is adjusted to account for changes in consumer prices. The benefit is paid monthly to its recipients. The amount of the benefit can be supplemented with a housing allowance. The current value of minimum income increases with the size of the recipient unit in accordance with the OECD equivalence scale¹¹. Entitlement to the GMI benefit is based on a complex set of eligibility conditions, such as age, long term residence (5 years), assessment of assets. Furthermore, eligibility for the GMI benefit is linked to a number of job-seeking/acceptance conditions, such as registration with PES (even when employed), acceptance of job offers/not voluntarily terminate employment, participate in vocational training, special community service, tutoring, social worker's assistance, etc. The GMI recipients are provided with access to services that are considered necessary for their support, inclusion and activation, such as housing, education, health care, child care and long-term care.

Czech Republic

The minimum income scheme (MIS) is managed centrally, paid by the contact points of labour office, under the same conditions all over the country. Both the entitlement to and the level of benefits are recognised as a right in legislation. Entitlement to MIS benefits is not time-limited. The living minimum and the subsistence minimum are used as the basis for calculation. The government is authorised to increase the levels of the living minimum every 1 January if the growth in the Consumer Price Index for food and personal needs exceeds 5%. The amount required for living is established on a case-by-case basis, based on evaluation of the person's or the family's income, efforts and opportunities; the

¹⁰ Reference budget methodology has been used for determining the benefit amounts.

¹¹ The OECD scales assign a value of one to the first adult, 0.5 to each additional adult and 0.3 to each additional child. Children are defined as persons below 14 years old.

living minimum and subsistence minimum are used as the basis for the calculations. Local labour offices are given discretion to replace cash benefits with benefits in kind. Unemployed recipients are obliged to accept any suitable job offer (including temporary work), to agree to fulfil obligations set in an Individual Action Plan and to participate in and complete retraining or a targeted programme.

Estonia

Subsistence benefits in Estonia are a state aid to people in need administered by local governments. The subsistence level is based on minimum expenses made on consumption of food, clothing, footwear and other goods and services which satisfy the primary needs. There is no regular indexation of subsistence level, the level is fixed for each year by the state budget. It is stipulated in the Act that new subsistence level must not be lower than the level in force and the level should reflect minimum expenses needed to ensure the decent standard of living for those in need. The administration of the subsistence benefit scheme is the responsibility of local governments. Subsistence benefit is financed from general tax revenues and earmarked funds are allocated from the general government budget to local governments each year. Local governments have a right not to grant subsistence benefits to people of working age or capable of working who are not studying or working and who have repeatedly and for no good reason refused to accept suitable positions (so-called activation clause). Local governments may also require the recipients of benefits to be registered at the Estonian Unemployment Insurance Fund (EUIF). All registered unemployed people are also covered with the public health insurance and enabled to participate in the active labour market services.

Latvia

The guaranteed minimum income benefit is a mandatory responsibility of municipalities. Eligibility for the receipt of the GMI benefit is assessed, taking into consideration the income level of the individual. No restrictions exist for the receipt of the benefit on the grounds of the citizenship status, age, the status on the labour market or other factors. The benefit is granted for a period of 3 to 6 months, as long as the person or household is considered as in need, and is renewable. The amount established at the national level is not differentiated by type of household or group of the population. However, local governments may differentiate the benefit amount for various categories of the population in their binding regulations. The GMI benefit amount is calculated as a difference between the guaranteed minimum income level for each family member and the total income of a poor family (person). The local governments have the right to determine a different guaranteed minimum income level, but not lower than the level fixed by the regulations. Recipients, unless in employment or similar, must register with the State Employment Agency, actively look for a job and accept suitable offers of work, participate in active employment policy programmes, public works, public service etc. The beneficiaries are obliged to co-operate with social workers of the municipal social service office and conclude an agreement on collaboration in order to overcome the situation.

Lithuania

In Lithuania, the Law on Cash Social Assistance for Low-Income Residents, provides the legal basis for Social Assistance Benefits. The MI scheme is centralized in terms of eligibility criterion, conditionality rules and formula of benefits value. They are set up by the Law and are uniform nationally. The Local Authorities (municipalities) are responsible for administration and provision having the right to apply exemptions for eligibility criteria and conditionality rules. Authorities of both levels of governance (national and local) are involved in financing the scheme. The government sets the level of the benefit (recently based on a minimum

consumption basket). Benefits are adjusted at irregular intervals according to government decision based on the consumer price index. The benefit is awarded for a period of three months, and may be renewed if the circumstances have not changed. Those of working age, who are unemployed must be registered with the local Labour Exchange office or with another Member State's employment service and need to be willing to work or participate in training. Recipients must take part in "socially useful activities" organised by the municipal administration.

Portugal

The Minimum Income Scheme (Social Insertion Income) is a non-contributory means-tested benefit focusing on the most vulnerable individuals and households, under the responsibility of the Institute of Social Security. The measure is composed of a monetary component (the cash benefit) which is a universal right, transitory and not dependent on discretionary assessment but on established criteria, and of an insertion programme which is based on an insertion contract between the beneficiaries and the programme whereby both parts agree to develop a set of actions and tasks, necessary for the gradual social, labour and community integration of the family. Registration with the competent job centre is required. The benefit is calculated as a difference between the maximum rate of the cash benefit and the household's total income. The amount is defined by the Ministry of Solidarity and Social Security and corresponds to a percentage of the Social Support Index. There is no fixed frequency for indexing/uprating the benefit. The benefit is attributed for a maximum period of 12 months but may be renewed for equal periods and as long as eligibility conditions are met. The criteria regulating the allocation, the conditions contracted and the criteria for termination are defined at the central level and the scheme is delivered by the local branches of social security (within a network of local partners). There are no single points of contact or one-stop shops providing the beneficiaries with the necessary benefits, services and activation. However, there are national level protocols e.g. between the institute of social security and the public employment services (Institute for Employment and Professional Training – IEFP), and cooperation between these entities is specifically mentioned in the legislation.

Slovenia

The scheme is set at the national level, ensuring uniform rules and procedures for the allocation of benefits, as well as rules to avoid potential accumulation or exclusion of benefits. The scheme is open to all permanent residents upon means testing. Benefit receipt is conditional upon registering at the Employment Office, signing the Employment Plan, concluding an integration plan as well as a fulfilment of obligations and performance of activities set in that plan, active job search, inclusion in the active labour market policy measures and accepting an offered adequate/suitable job. It is first granted for a period up to three months, and then for a period up to six months if the circumstances of the applicant have not changed. One-stop shops for the delivery of means-tested cash social benefits, subsidies and payments from public sources were established at the Centres for Social Work. Centres for Social Work also deliver social services and closely cooperate with the Employment Offices in providing assistance in social activation of the unemployed.

4 Effectiveness of measures

4.1 Benchmarking framework for minimum income schemes

The Social Protection Committee (SPC) conducted in 2017-18 an exercise on benchmarking minimum incomes, focusing on the working age population with working abilities not in employment and not eligible or having exhausted

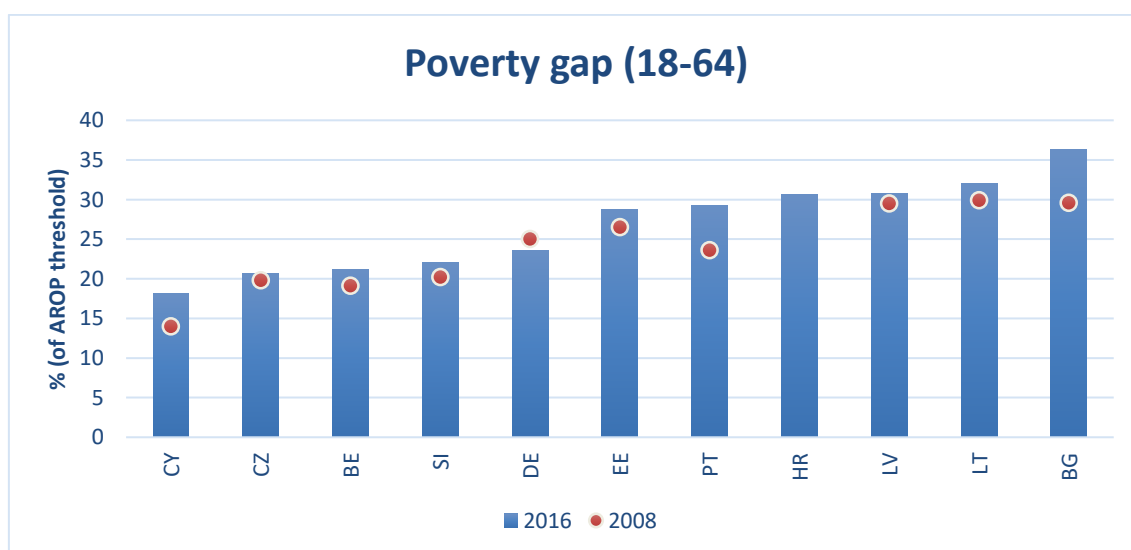
entitlements to social insurance benefits. The aim of the exercise was to develop a framework to better compare the performance and design of minimum income schemes across EU Member States with a view to foster convergence towards the best performing countries.

The benchmarking framework contains **3 outcome indicators**, which capture different dimensions of poverty among the working age population. Where relevant, a breakdown for the population from quasi-jobless households is also provided, as minimum income benefits impact more significantly the population living in these households.

- The relative at risk of poverty gap of the working age population (18-64) (complemented by the breakdown for quasi jobless households (18-59));
- The material and social deprivation rate of the working age population (18-64) (complemented by the breakdown for quasi jobless households (18-59));
- The at-risk-of-poverty rate of the population living in quasi jobless households (18-59).

The **relative at risk of poverty gap of the working age population (18-64)** measures the difference between the median equivalised disposable income of people below the poverty threshold and the poverty threshold. It is expressed as a percentage of the poverty threshold and helps quantify how poor the poor are. The adequacy of minimum income benefits impacts in particular the depth of poverty among potential recipients. The relative at-risk-of-poverty gap for the working age population (16-64) has been increasing since 2008 and the gap is significantly larger in the case of persons living in quasi-jobless households (see annex). The increase in the poverty gap, points to weaknesses in the design of the benefit systems as noted in the 2018 SPC annual report. According to the dashboard of the Social Protection Committee's (SPC) annual report, since 2008 the depth of poverty deteriorated in 14 Member States.¹²

Chart 1 Relative at risk of poverty gap of the working age population (18-64) in the selected countries, evolution between 2008-2016

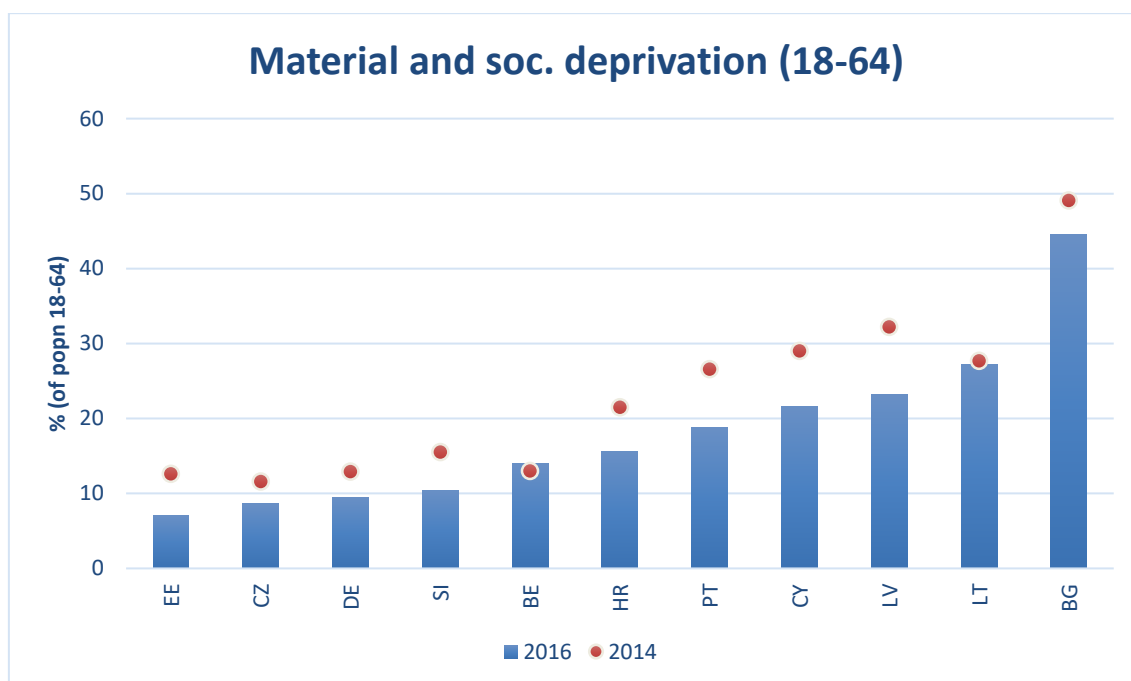


¹² See Social Protection Committee annual report 2017

Source JAF based on EUROSTAT data, note: HR presented data as of 2010.

The **material and social deprivation rate of the working age population (18-64)** provides a measure of material deprivation. The existing standard material deprivation indicator was defined as the proportion of people living in households confronted with at least three out of nine deprivations. Due to limitations of the current EU MD indicators (the small number of items on which they rely and the saturation of some deprivation items that are no longer relevant) a revision of the indicator took place in order to broaden the concept of deprivation. The new Material and Social Deprivation index is based on 13 items (5 related to the individual and 8 related to the household). The Indicator Subgroup of the SPC decided to apply the new deprivation indicator to the benchmarking framework. Similarly, to the old deprivation indicator, the decreasing trend can be observed linked to improving living standards.

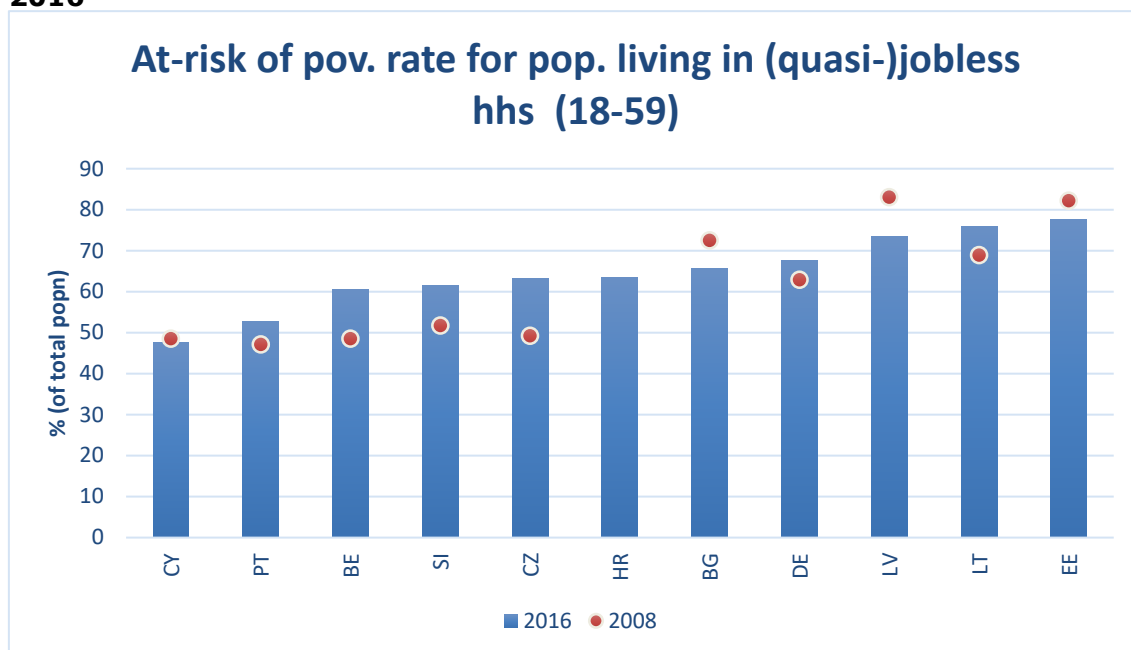
Chart 2 Material and social deprivation rate 16-64 (18-64) in the selected countries, evolution between 2014-2016



Source JAF based on EUROSTAT data, note: HR presented data as of 2010.

The **at-risk-of-poverty rate of the population living in quasi jobless households (18-59)** provides a measure of relative poverty – the proportion of people aged 18-59 living in quasi jobless households whose disposable income is below the national poverty threshold. The indicator shows a negative trend in 18 Member States (see SPC annual report 2017).

Chart 3 At-risk-of-poverty rate of the population living in quasi jobless households (18-59) in the selected countries, evolution between 2008-2016



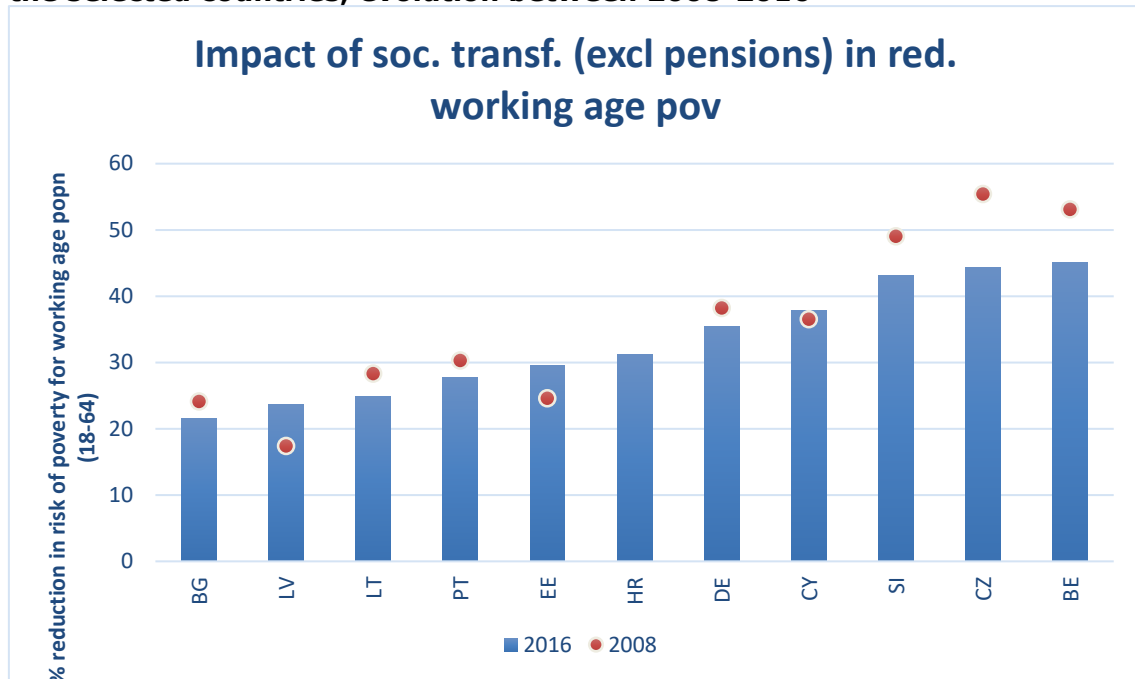
Source JAF based on EUROSTAT data, note: HR presented data as of 2010.

Since outcome indicators are influenced by a number of factors outside social policy, to allow more focus on the effect of minimum income benefits, **6 performance indicators** which are more directly related to the policy design were agreed.

- The impact of social transfers (excluding pensions) on poverty of the working age population (18-64) (complemented by the breakdown for quasi jobless households (18-59));
- The persistent at risk of poverty rate of the working age population (18-64) (complemented by the breakdown for quasi jobless households (18-59));
- The coverage rate of social benefits (excluding pensions) for people at-risk of poverty in (quasi-) jobless households (18-59)
- Self-reported unmet needs for medical examination (reason: too expensive or too far to travel or waiting list) – gap in p.p. between the share of individuals (18-59) at risk of poverty from very low work intensity (VLWI) households and the share of individuals (18-59) not at risk of poverty from non-VLWI households
- Housing cost overburden rate – gap in p.p. between the share of individuals (18-59) at risk of poverty from VLWI households and the share of individuals (18-59) not at risk of poverty from non-VLWI households
- Non-participation in training related to professional activity (reasons 'no suitable courses or programmes available' and 'cannot afford it') – gap in p.p. between the share of individuals (18-59) at risk of poverty from VLWI households and the share of individuals (18-59) not at risk of poverty from non-VLWI households

The **impact of social transfers on the at-risk-of-poverty rate** is calculated as the percentage difference between the at-risk-of-poverty rate before and after social transfers (excluding pensions from the impact of transfers, since the primary aim of pensions is not to alleviate poverty). The definition of the poverty reduction impact of social transfers is based on the difference between at-risk-of-poverty rates before and after social transfers (excluding pensions). The indicator was selected for the Social Scoreboard of the European Pillar of Social Rights. The indicator shows some deterioration in some countries.

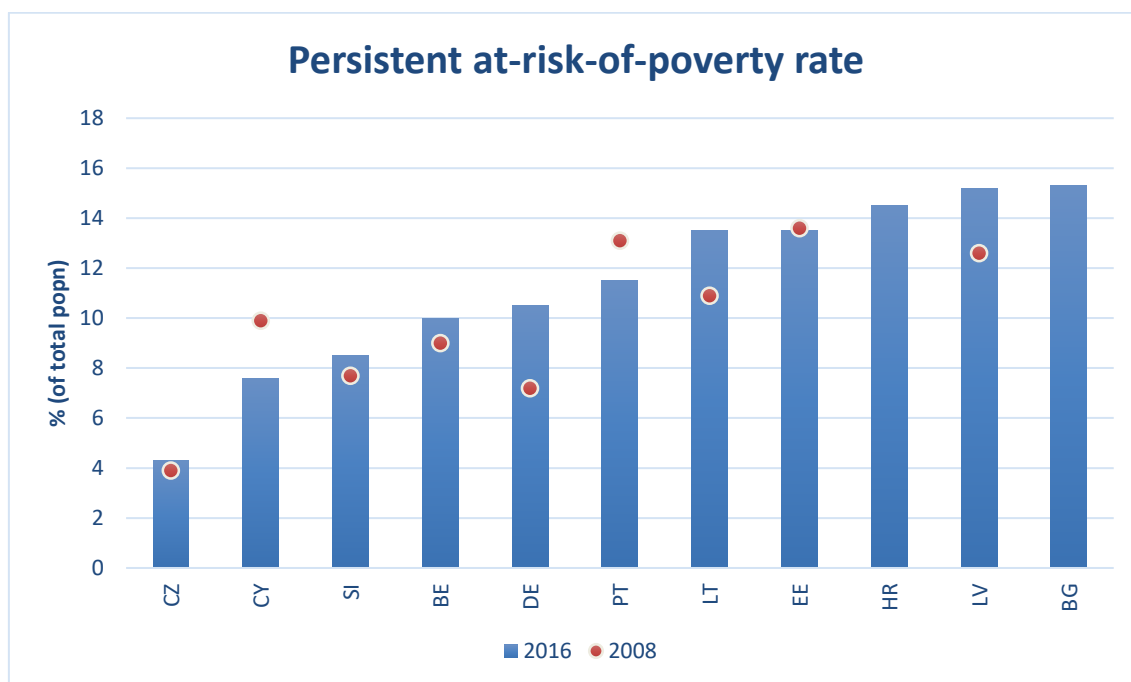
Chart 4 Impact of social transfers on the at-risk-of-poverty rate (18-64) in the selected countries, evolution between 2008-2016



Source JAF based on EUROSTAT data, note: HR presented data as of 2010.

The indicator of the **persistent poverty rate** allows capturing the dynamics of poverty. The length of the poverty spell provides more information on the severity of poverty. The persistent at-risk-of-poverty rate is defined as the share of people who are currently poor and were poor also 2 out of the 3 previous years and identifies people who live with a low income for long periods of time, as opposed to people who face transitory poverty.

Chart 5 Persistent poverty rate (18-64) in the selected countries, evolution between 2008-2016



The SPC ISG adopted an **indicator of benefit reciprocity rate** based on EU-SILC. The agreed indicator is the share of working age individuals (aged 18-59) receiving any benefits (other than old age or survivors benefits) among: (a) the population at risk of poverty (b) the population living in (quasi-)jobless households and (c) the population at risk of poverty and living in (quasi-) jobless households. In the benchmarking, the population at risk of poverty and living in (quasi-) jobless households was selected, as it relates most the target population of minimum income schemes. Alternatively, when assessing the effective coverage of the national schemes other indicators, data sources (such as national registers, OECD SOCD database) can be used.

Chart 6 Benefit recipiency rate for individuals living in poor and (quasi-) jobless households vs. individuals living in poor households (2013)



Source : DG EMPL calculations based on EU-SILC 2014 (UDB). Notes: EU-28 is weighted average. Individuals included in the sample are aged 18-59 years old. Households composed only of students are excluded. Students are defined as persons aged 18-24 having as their principal economic activity "studying" for 7 or more months during the income reference period.

Minimum income schemes have to be viewed through the perspective of the active inclusion approach. They should be universal and provide integrated support in the form of adequate cash benefits, effective access to enabling goods and services, and an activation component for beneficiaries. In the course of the benchmarking exercise it was established that these aspects of minimum income schemes are most likely to affect their performance and have served as basis for the policy levers in the framework. Three policy levers have been identified: i/ adequacy of level, ii/ eligibility rules and take-up, and iii/ activation and access to services.

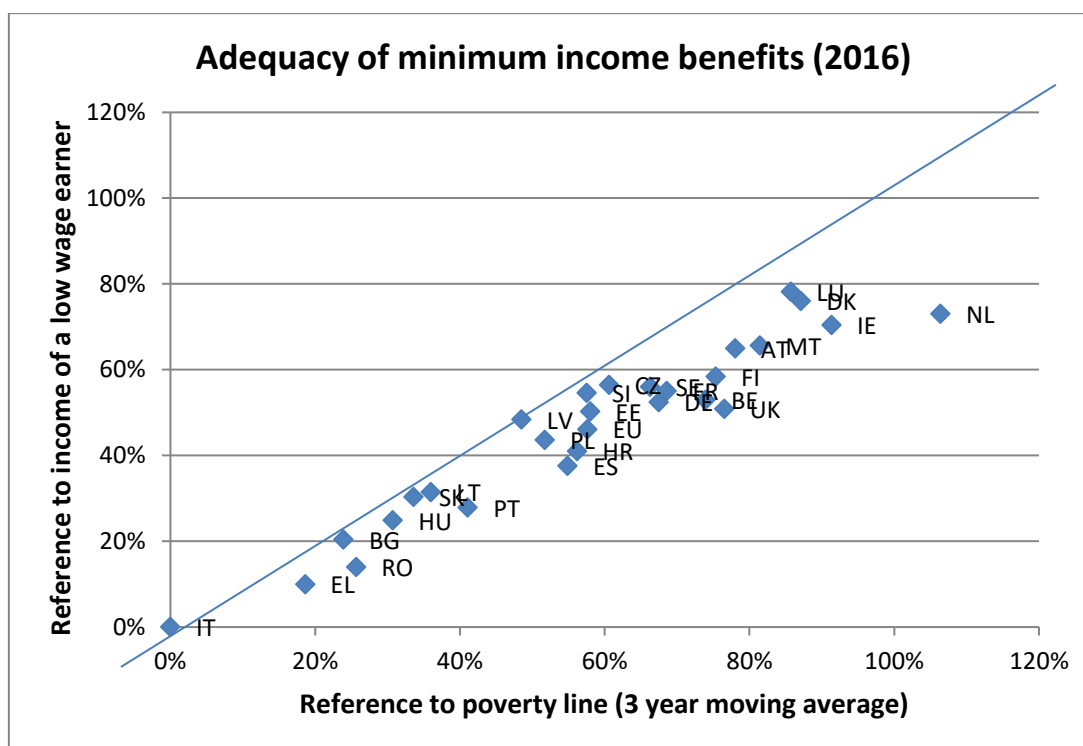
Adequacy of benefits

Two indicators for this policy lever were agreed, calculated based on the OECD Tax and Benefit model and EUROSTAT data:

- the **income of a minimum income beneficiary as a share of the poverty threshold** (smoothed over three years) and
- the **income of a minimum income beneficiary as a share of the income of a low wage earner** (a person earning 50% of the average wage).

The first indicator gives an indication of the poverty alleviation effect of benefits, while the second one also provides an indication of the activation dimension and potential disincentive effects. As the interaction of minimum income benefits with other benefits can vary with household composition, the indicators are calculated for three household types (a single person with no children (main indicator), a single person with one child, and a couple with two children). For illustration, these indicators are presented for all member states (except for Cyprus, as no OECD calculation is available).

Chart 7 Adequacy of minimum income benefits in comparison with the poverty threshold and the income of a low wage earner – single households (2016)



Source: DG EMPL own calculation based on OECD Tax and Benefit model and EUROSTAT

Eligibility and take - up

The agreed general principle for the **policy lever on eligibility rules and take-up** underlined that "accessibility of minimum income benefits should be ensured, including by the universal and non-contributory nature of the schemes and adequate targeting of those living in poverty." The main eligibility requirements applied in national systems include nationality/citizenship and/or residence, age, lack of financial resources, not having assets above a certain limit, and having exhausted rights to any other (social) benefits.¹³ The strictness of these criteria determine to what extent a scheme offers universal access.

No policy lever indicators were agreed for eligibility and take-up in the benchmarking framework. However, it contains a dedicated performance indicator on (effective) coverage of schemes as well as contextual information on the role of two factors in the eligibility of schemes: means-testing and residence requirements.

Information on the **means-testing conditions** in the Member States is available in the Mutual Information System on Social Protection (MISSOC) database¹⁴, as well as the OECD country fiches about the national tax and benefit systems¹⁵. This allows to derive contextual information on the main components of the means test (i.e. different types of incomes included or excluded from the test, benefit withdrawal rate, etc.).

¹³ See Frazer and Marlier (2016) Minimum Income Schemes in Europe. A study of national policies 2015.

¹⁴ <http://www.missoc.org>

¹⁵ <http://www.oecd.org/els/soc/benefits-and-wages-country-specific-information.htm>

In most Member States, the income threshold used in the means test is actually the maximum level of the minimum income benefit. When earned income increases, the additional income of the person/household is deducted (or only part of it) from the maximum amount and the actual amount of benefit received is the difference between the two¹⁶.

This entails that the means test and the adequacy of the minimum income are linked. Improving the adequacy of a scheme (or reducing the phasing out rate below 100%) would also increase the potential number of beneficiaries. This implies that the selected adequacy indicators also contain information about the means testing, since they essentially also relate to the income thresholds used by the Member States.

Another important aspect of means-testing relates to the type of incomes which are taken into account in the means test. Similarly, to the threshold, a different definition of income would imply differences in coverage: income disregards extend the coverage of a scheme and the specific types of incomes disregarded actually affect which persons/households may take up the benefits. All other things being equal, the more different incomes are excluded from the means test, the more likely it would be for the coverage of the scheme to increase (see examples of exempted income or earnings disregard in the annex).

The benchmarking framework identified the **residence requirements** as a potential area for further exploration. To this end a summary of the requirements laid down by Member States as regards eligibility conditions on residence can be derived from the MISSOC database. However, it appeared that the level of detail and terminology used in the available information currently limits the room for comparison between the Member States and the possibility to develop actual comparisons. Therefore, additional details and clarifications in the reporting were deemed necessary. In addition, the information provided in MISSOC does not fully correspond to findings of studies on minimum income previously conducted by the European Minimum Income Network¹⁷ and the European Parliament¹⁸. This also called for additional checking of the information available. The result of the information gathering exercise can be used as contextual information when assessing national schemes (see Annex).

Activation and access to services

The benchmarking framework underlines as a general principle for the **policy lever on activation elements and access to services** the need to "ensure the right to participate in activation measures by providing enabling services and develop personalised and comprehensive systems of support, in line with activation conditions." This policy lever focuses both on the incentives to work for minimum income beneficiaries and to the extent to which recipients have access to services. No indicators were agreed for this policy lever. However, it was agreed to incorporate contextual information in the form of county-specific charts, which show the evolution of incomes of minimum income beneficiaries before and after moving to employment, expressed as percentage share of the income of a low wage earner, also providing information on the design of the phasing out of benefits with increases in earned income.

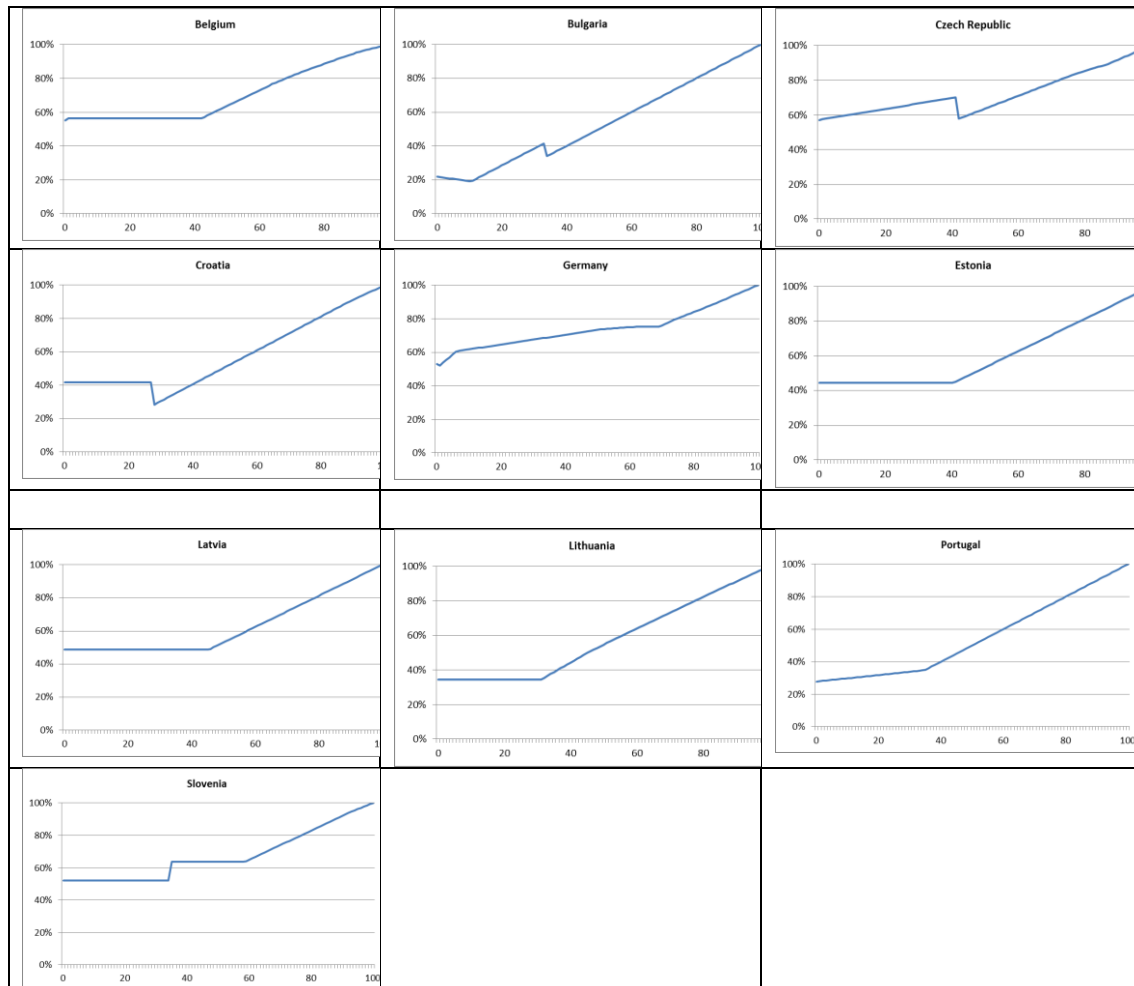
¹⁶ Exception to this is the social assistance scheme in HU and the housing benefits in several Member States (i.e. EL, HR, LU), which are paid as lump sum amounts without gradual deduction of income.

¹⁷ Van Lancker (2015). "Toward adequate and accessible minimum income schemes in Europe. Analysis of minimum income schemes and roadmaps in 30 countries participating in the EMIN project. Synthesis report."

¹⁸ Crepaldi et al (2017). "Minimum income policies in EU Member States."

The charts below reflect a multitude of incentives paths, which are influenced by a number of factors of national tax benefit systems, related to the design of minimum income benefits, but also other benefits, such as housing benefits and their interplay with the tax system.

Chart 8 Net incomes of minimum income beneficiaries, single person, 2015



Source: OECD. Information is not available for CY.

The underlying rationale is that minimum income schemes should also be designed in a way that reduces inactivity traps, thus reducing financial disincentives to take up work, as well as relying on activation requirements and enabling services which facilitate the labour market integration of beneficiaries. The activation requirements claimed by the Member States shows similarities e.g. registration with the public employment service, active job seeking, contracts for individual integration/activation plan, mandatory acceptance of offered job (information on activation requirements are provided in the annex).

4.2 Findings for the participating Member States based on the benchmarking framework

For illustrative purpose, the results of the benchmarking framework for the concerned countries based on the selected outcome and main performance indicators can be built in a comparative table, highlighting the situation of Member States in comparison to the EU average (along a similar method as used in the Joint Employment Report).

Table 1 Member States performance over the key policy performance indicators and key outcomes in the field of minimum income (2014-2015)

	Relative median poverty risk gap (18-64)	At risk of poverty rate of (quasi-) jobless households (18-59)	Material and social deprivation (18-64)	Impact of social transfers on poverty (18-64)	Persistent at risk of poverty rate (18-64) (*)	Coverage of social benefits (18-64) (*)
BE	++			++		+
BG	-	--	--	-		
CZ	++			+	++	+
EE	+	--	+	-		
HR		-	-		-	-
CY	+	+	-	-	++	-
LV	--	--	-			
LT		--	-	-		
PT	-		-		-	
SI	+			+	+	+

Source: Eurostat. Note: (++) for very high and (+) for high performance and (--) for very low and (-) low performance as provided by the scoreboard methodology. (*) For the persistent at-risk-of-poverty rate and the coverage of social benefits, pending further information on the statistical significance of changes the assessment is based on levels only.

All in all, it appears that performance was mostly high or very high (if not average) in CZ and to a lesser extent BE and SI¹⁹, while performance was mostly low or very low (if not average) in BG and HR²⁰ and to a lesser extent in LT, LV, PT.²¹ The situation was more diverse with both areas of high performance and low performance, in EE and CY.

¹⁹ In these Member States, performance is higher than average in at least 3 areas and not below average in other areas.

²⁰ In these Member States performance is lower than average in at least 3 areas and not above average in other areas.

²¹ In these Member States, performance is lower than average in at least 2 areas and not above average in other areas.

It is also useful to consider the correlation between the outcome and performance indicators vis a vis the selected indicators on adequacy and contextualize the assessment with other available information regarding eligibility criteria and activation conditions in order to analyse the incentivising aspect of the schemes.

Table 2 Adequacy of benefits – 2016

	As a share of poverty threshold	As a share of the income of a low wage earner
BG	23,9%	20,4%
LT	36,0%	31,4%
PT	41,1%	27,9%
LV	48,5%	48,4%
HR	54,8%	41,0%
SI	57,5%	54,6%
EU	57,5%	46,1%
EE	58,0%	50,3%
CZ	60,6%	56,5%
BE	73,9%	53,0%

Note: due to lack of information in the OECD Tax and Benefit model calculation was not made for CY.

5 Conclusions

Minimum income schemes should be looked at as investment into human capital, enabling benefit recipients to live in dignity. Well-designed minimum income schemes rely on a three-pronged strategy integrating adequate benefits, inclusive labour markets and access to quality services.

The cross-country comparison of national schemes facilitates mutual learning and upward convergence in the European Union in terms of ensuring adequate, accessible and enabling minimum schemes for all in need.

It appears for instance that Member States where minimum income schemes achieve higher level of adequacy also generally perform better as regards outcomes (income and material deprivation levels) and performance (such as impact of transfers on poverty, coverage). Through the benchmarking exercise, additional information was gathered about the national schemes, which enables to complement the analysis of national schemes, in particular as regards the design of eligibility rules and of activation strategies.

In order to better understand the interactions between various benefits and better assess the national schemes, in depth analysis of the national schemes are essential.

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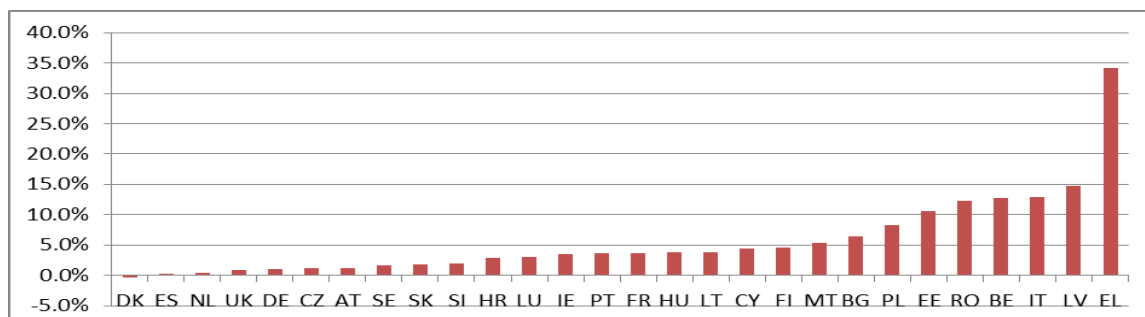
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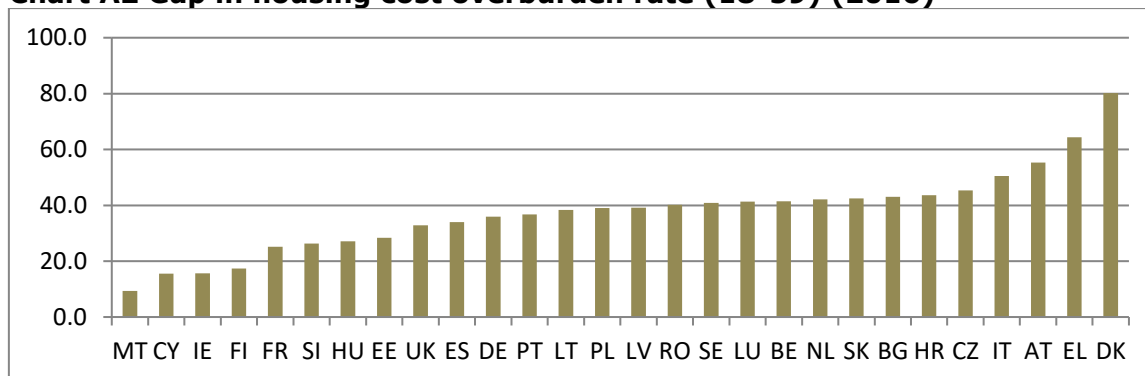
7 Annexes

Chart A1 Gap in self-reported unmet needs for medical examination (18-59) (2016)



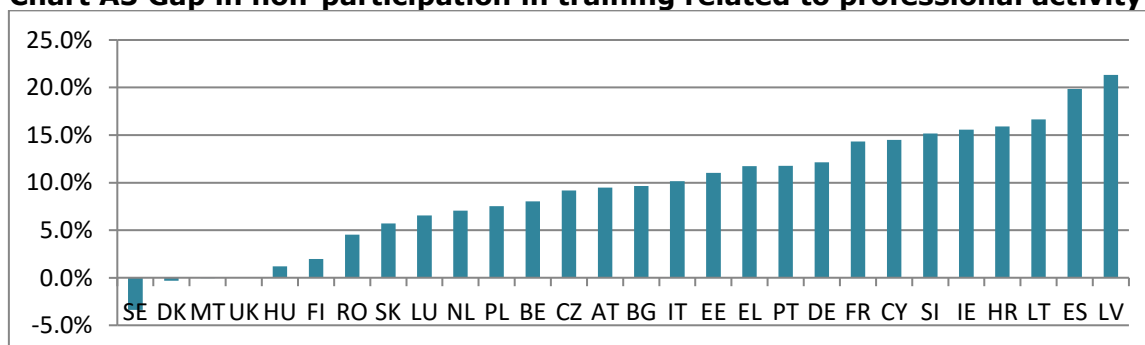
Source: Eurostat. Note : Gap between individuals (18-59) at risk of poverty from very low work intensity (VLWI) households and the individuals (18-59) not at risk of poverty from non-VLWI households.

Chart A2 Gap in housing cost overburden rate (18-59) (2016)



Source: Eurostat. Note : Gap between individuals (18-59) at risk of poverty from very low work intensity (VLWI) households and the individuals (18-59) not at risk of poverty from non-VLWI households.

Chart A3 Gap in non-participation in training related to professional activity



Source: Eurostat. Note : Gap between individuals (18-59) at risk of poverty from very low work intensity (VLWI) households and the individuals (18-59) not at risk of poverty from non-VLWI households.

Table A1 Examples of exempted income or earnings disregard

MS	Exempted income or earnings disregard
BE	EUR 310 net per year with children, EUR 250 without children
BG	Work incomes in general are not disregarded – exemptions: incomes obtained as a result of cultivation of agricultural land from the state land fund and from the municipal land fund for a period of one year from its granting; salary received for the last month of participation in programmes for subsidised employment. 12 other sources of incomes are exempted.
CZ	30% of work income disregarded
DE	For gross incomes above the first EUR 100 the rate of withdrawal of UB II was reduced to 80 % up to a gross income of EUR 1000 and to 90 % in a range between EUR 1000 and EUR 1200 for single workers (up to EUR 1500 for working recipients with children)
EE	No earnings disregard
HR	<i>If a beneficiary becomes employed (after 1 year of receipt of the benefit), in first month of employment, beneficiary still receives the full amount of benefit; in second month it decreases by 25% and in third month by 50%. In fourth month of employment, right to the benefit ceases if amount of average earned income in those three months exceeds the amount of benefit.</i>
LT	No earnings disregard
LV	If a minimum income recipient (social assistance beneficiary) has started to work (get income from work) then income from work up to minimum wage amount (minimum wage in 2017 = 380 euro per month, in 2018 = 430 euro per month) is disregarded from income test for three months per one year.
PT	80% of work earnings less social security contributions considered in means test, <i>50% of earnings from a new job by any family member out of social assistance receipt is held up against benefit rates during first year of employment</i>
SI	None, but the benefit increases if the recipient works (+28% of benefit if working 60 - 128 hours per month and +56% if more than 128 hours per month)

Note: Temporary disregards are in *italics*. The table is based on the information in the OECD country fiches for 2016,

Source: OECD and Member States' input.

Table A2 Residence at local level (general)

Residence at local level (general)	No specific conditions apply linked to residence at local level	Change of local residence requires light administrative steps, which would not lead to discontinuation of support	Change of local residence requires administrative steps, which could lead to temporary discontinuation of support	Eligibility to minimum income is linked to residence at local level and change of residence implies discontinuation of support
	EE, SI	BE, CY, DE, HR, LV, PT	CZ, LT,	

Table A3 Residence at local level (homeless)

Residence at local level (homeless)	Homeless persons are able to benefit from the minimum income scheme.	There is a residence condition, which could in some cases pose a challenge for the provision of support to homeless persons	It is not possible for homeless persons to receive support due to residence condition, but there is other type of support available for them.	It is not possible for homeless persons to receive support due to residence condition.
	BE, DE, HR, LT,	CY, CZ, EE, LV, PT, SI		

Table A4 Time requirement

Time requirement	Legal residence is required without a specific time requirement.	There may be one or more time requirements, where at least 1 is 12 months or less.	There may be one or more time requirements, which exceed 12 months (under assumption that permanent or long-term residence would require residence of over 1 year).
	BE, CZ, EE,	CY, HR, LT, LV, PT	DE, SI

Table A5 Behavioural requirements for minimum income recipients

	Behavioural requirements				
	Registration as unemployed	Participation in integration measures	Active Job Search requirement	Work requirement	Legal behavioural requirements for adult family members other than the benefit claimant
BE	Yes	Discretionary	Discretionary	Discretionary	No
BG	Yes	Yes	Yes	No	Unemployed must register with the territorial unit of the Employment Agency at least 6 months before filing application for social support and not have refused job offers
CZ	Yes	Yes	Yes	if requested have to take up short-term employment, participate in public works or public works service	work availability and job search requirements apply to all members of the household except for old age and invalidity pensioners, persons over 68, parents caring for children, careers of care-dependent person, persons who are temporary sick
EE	Discretionary	Discretionary	Discretionary	No	No
HR	Yes	Yes	No	No	If the benefit is acknowledged to a household, then all members of a household must fulfil the conditions (registration as unemployed, participation in integration measures), otherwise benefit decreases for that person.
LT	Yes	Yes	Yes	No	Family members <18 years are not working for more than 2/3 standard working time
LV	Yes	Yes	Yes	No	Yes (with some exceptions).
PT	Yes	Yes	Yes	No	Family members must comply with Insertion Program, otherwise family loses that person's part of the benefit entitlement. Claiming other social security benefits and also alimony if available.
SI	Yes	No	Yes	No	Job search requirement

--"indicates that no information is available or not applicable

* Based on textual information provided in section 3 on unemployment assistance of the OECD fiches.

** Based on textual information provided in section 4 on social assistance of the OECD fiche.

Source: OECD and Member States' input.

