



Peer Review on

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

Berlin (Germany), 15-16 November 2018

Executive Summary

The Peer Review provided the opportunity to discuss and exchange information on how minimum income benefits are set and provided in different European countries. The event was hosted by the German Ministry of Labour and Social Affairs and brought together government representatives and independent experts from ten additional countries, namely Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Latvia, Lithuania, Portugal, Slovenia, as well as a representative of the European Minimum Income Network. Other participants included representatives from the European Commission.

Following detailed accounts of the German minimum income system, the discussion mainly focused on Member States' experiences concerning the design and governance of their minimum income systems, as well as the challenges and good practices of their different systems. Special attention was paid to the mechanisms used in the setting of the minimum income benefit level and/or its components and how to ensure that these levels are updated in a transparent manner.

In addition, countries discussed which activation measures and in-kind services should accompany minimum income (cash benefit) support in order to foster the integration into the labour market and the society. While some similarities among countries were identified, it also became evident that the minimum income systems across the EU are very diverse.

The participating countries also discussed the key characteristics, including similar challenges faced by the different schemes and explored what common features could be used for a framework of minimum income schemes at European level.

The key policy messages from the Peer Review can be summarised as follows:

Common challenges and problems related to minimum income benefit systems

- The challenges Member States face in the implementation of minimum income benefits systems are multiple and are closely linked to the specific economic and social circumstances of each Member State.
- Determining adequate levels of minimum income benefits which ensure a decent standard of living, while at the same time avoiding poverty wages and the

benefits trap, remains a common challenge. The design of some minimum income schemes and their links with the rest of the tax-benefit system as well as activation measures may entail benefit traps.

- Many Member States face challenges of low take-up rates. To improve this, measures should be taken to increase take-up by reducing formal and informal obstacles. In relation to this, the complexity of many national minimum income systems and the administrative requirements to access them can be a problem and hinder their effective and targeted implementation. Different levels and institutional set ups of governance are involved in the process, which leads to regional and local disparities in some Member States.
- There can be a lack of or weak cooperation between the different stakeholders providing public services to minimum income beneficiaries and, in particular, the coordination between employment services and social services can often be improved.
- Targeted support should be provided to those unable to work due to various physical or psychological issues. It is often a challenge to ensure high quality social services based on a personalised approach.

Ways to ensure adequate levels of minimum income benefits while preserving transparency in setting benefit levels

- The aim of minimum income benefit systems should be to ensure that the beneficiaries can live a life in dignity. Two key avenues to achieve this were identified: firstly, setting the level of the benefit against an existing defined level, such as some wage level (for instance the minimum wage) or recognised poverty threshold. The second possibility is to set the level of the benefit according to the amount required for a dignified life, based on a recognised methodology. Both perspectives should consider existing regional disparities and economic developments.
- Different mechanisms can be used to determine and adjust the level of benefits over time, such as a statistical/research-based mechanism, like the median household income system or where possible a mechanism linked to a consumption basket (including housing costs).
- In the absence of a distinct mechanism to set the benefit level, it is important to ensure transparency in the process. This should entail clear and transparent rules, such as relying on impact assessments. A compulsory periodic update or review cycle should be provided for (in the law), whereby the updates to the benefit level are automatically determined, for example being by linking them to inflation rates.

Elements to consider when setting a benefit withdrawal rate¹ that secures decent standards of living and encourages in-work progression

- Setting a benefit withdrawal rate is a complex matter as it also relates to the availability of public finances and to the setting of benefit levels for those at work. Therefore, it requires the involvement of all stakeholders. It is important that the process is evidence-based and designed on the basis of social and

¹ Also known as tapering of benefits.

economic impact assessments. Moreover, the design of the tax system and social security contribution system also plays a key role. Authorities also should take into account the beneficiary's eligibility for other benefits, as this might influence the motivation to actively search for a job.

- First and foremost, the main aim of minimum income benefits should be to support the beneficiaries in need, benefit withdrawal rates should be carefully considered and well balanced to be able to provide an incentive to actively participate in the labour market.
- Mechanisms to fight against undeclared employment should be introduced, which can for instance rely on an automatic exchange of information between all stakeholders.

Non-monetary incentives and social services to foster labour market integration

- Activation measures should generally be combined with non-monetary incentives including the provision of additional services, either to complement these or in the form of additional support. Currently, the most common social services in place are counselling measures offered by social welfare centres and non-governmental organisations, often following a pre-assessment of needs. It is important that such counselling measures correspond to the needs of the individuals and their family and are complemented with other services, such as free childcare, home care for dependent relatives, and free meals and materials at schools. Peer counselling through voluntary work could be considered here to enhance personal skills and social contact.
- Various non-monetary incentives should be implemented to foster the integration into the labour market according to the capability approach. In particular for the long-term unemployed, it is crucial to cooperate with the employers on a continuous basis in parallel to counselling and activation measures provided to the minimum income beneficiaries. Furthermore, activation and/or support measures should be made available to all household members, with targeted measures being provided to each member.
- Activation approaches should account for considerable differences among recipients due to various personal factors. This necessitates a mix of personalised support to accompany the beneficiaries (able to work) on the path towards finding employment, as well as the sequencing of interventions/activation measures from less to more demanding ones. This is particularly relevant for those less able to work due to mental or physical conditions which hamper their access to the labour market. Difference in potential for activation due to personal factors should also be considered, and specific social support should be delivered.
- Informal and hidden barriers to access these services should be removed by promoting the access to information and to services (e.g. in a broadly defined one-stop shop approach). At the same time, home-based social interventions to map family needs, as well as legal and financial support should also be ensured.

Towards a common EU perspective on minimum income policies

- Due to the significant differences between Member States in terms of the standards of living, the level and characteristics of poverty, the overall national

system of welfare benefits, the condition of public finances, as well as the unemployment rate and opportunities for the integration into the labour market, an EU initiative could offer an overall framework for framing the national minimum income policies.

- To establish such a common framework, there is a need for practical guidelines and tools regarding the design and implementation of minimum income policies to complement a comparative perspective. These should take into account the current national minimum income policies and their specific outcomes in alleviating poverty and ensuring dignified life.
- Key elements of a common framework could be based on common characteristics of the national schemes and may include common standards for eligibility criteria, for access to services and for a transparent mechanism for setting up and indexation of benefits (and related methodological approaches). These elements should be developed according to an evidence-based approach involving all relevant stakeholders in a transparent manner. One would need to explore how best the existing EU funding instruments (such as ESF or FEAD) could contribute to the design and implementation phases of the common framework.