



# **Peer Review on "Ensuring adequate assistance for those most in need (Minimum Income)"**

**Vilnius, Lithuania, 7-8 February 2019**

**Synthesis Report**



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## Table of Contents

1	Introduction .....	6
1.1	Background .....	6
1.2	Building on the Peer Review on Minimum Income Benefits in Germany .....	6
2	EU policy context .....	7
2.1	Adequate, accessible and enabling Minimum Income Schemes .....	7
2.2	Benchmarking framework for minimum income schemes and preliminary findings .....	8
3	Cash Social Assistance in Lithuania after the reform .....	10
3.1	Implemented policy measures .....	10
3.2	Results of the reform .....	11
4	Different models and perspectives in EU Member States .....	12
4.1	Types of benefits and eligibility .....	12
4.2	Setting and adequacy of minimum income benefit levels .....	14
4.3	Active Labour Market and Active Inclusion Policy Measures .....	15
5	Main themes of the Peer Review .....	16
5.1	Adequacy of benefits: Governance arrangements and indicators .....	16
5.2	Preventing long-term dependency on social assistance .....	17
5.3	Access to adequate and quality services .....	17
6	Conclusion and Key Learnings .....	18

## 1 Introduction

The Peer Review on 'Ensuring adequate assistance for those most in need (Minimum Income)' took place on 7 and 8 February 2019 in Vilnius, Lithuania. It provided the opportunity to discuss and exchange experiences linked to implementing minimum income schemes that aim to combine the provision of income support, activation measures, and access to services across Member States.

The event was hosted by the Lithuanian Ministry of Social Security and Labour and brought together government representatives from eight peer countries, namely Belgium, Cyprus, the Czech Republic, Finland, France, Germany, Malta, Romania as well as independent experts from the host (Lithuania), a peer country expert (Germany) and a representative of the European Anti-Poverty Network (EAPN). Other participants included representatives from the European Commission - DG Employment, Social Affairs & Inclusion.

During the Peer Review, participants discussed the issue of the adequacy of cash social assistance which guarantees a minimum income, ways to prevent long-term dependence on social assistance as well as the improvement of services for minimum income recipients. The host country, Lithuania, presented an overview of its minimum income benefits framework which has recently undergone a reform, while the other Member States shared similarities and differences with their national systems.

The European Commission contextualised this picture by presenting updated data and analysis on the poverty and social situation across Member States and the European Policy Framework for active inclusion, with a particular focus on the European Pillar of Social Rights and its principle 14 on minimum incomes. An overview and the results of a benchmarking exercise on minimum incomes carried out by the Social Protection Committee (SPC) in 2017-2018 were also presented.

### 1.1 Background

The purpose of the Peer Review was to discuss, and exchange experiences linked to implementing minimum income schemes that aim to combine the provision of income support, activation measures, and access to services across Member States. The main topic for discussion concerned the impact of minimum income benefit systems reforms to improve living conditions and allow for a decent standard of living for those who lack sufficient resources. Building on the experiences of the recent reform(s) in Lithuania's cash social assistance as well as on key messages resulting from the recent Peer Review in Germany (15 – 16 November 2018), the Peer Review in Lithuania offered the participants the opportunity to identify and resolve further challenges linked to minimum income schemes.

### 1.2 Building on the Peer Review on Minimum Income Benefits in Germany

In November 2018, a Peer Review on a similar topic took place in Berlin, Germany entitled 'Minimum Income Benefits – securing a life in dignity, enabling access to services and integration into the labour market'. During this event, participant Member States identified common challenges and problems despite the differences amongst them. Specifically, these challenges are in every case closely linked to the specific economic and social conditions of each Member State. In addition, a challenge that was highlighted, was the high non-take up rates while weak or non-existent cooperation between different stakeholders was also identified as a problem.

The need to ensure adequate levels of Minimum Income was underscored; different mechanisms are available to determine and adjust level of benefits over time in order to ensure a life in dignity.

Regarding the benefit withdrawal rate, the Peer Review in Germany revealed a number of elements to consider when setting it so as to secure decent standards of

living and promote in-work progression for the minimum income beneficiaries. Setting a 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.

Participants also highlighted that activation measures should be combined with non-monetary incentives including the provision of additional social services to foster labour market integration. Last but not least, there is a need for a common EU perspective and approach on Minimum Income policies. In order to establish such a common framework, practical guidelines and tools regarding the design and implementation of Minimum Income policies are considered essential.

## **2 EU policy context**

### **2.1 Adequate, accessible and enabling Minimum Income Schemes**

The right to adequate minimum income benefits is one of the 20 key principles under the European Pillar of Social Rights (EPSR), launched in 2017, to support fair and well-functioning labour markets and welfare systems in Member States. Specifically, Principle 14 states 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".<sup>1</sup> It further states that adequate income support needs to be combined with incentives to support the (re)integration into the labour market of those who can work. To support Member States in the implementation, various instruments available at the European level (European Semester, social dialogue, recommendations and policy guidelines, mutual learning events, EU funds) are being mobilised.

The principle of the EPSR on minimum income builds on a number of previous policies that remain highly relevant today. They include (but without being limited to) the 1992 Council Recommendation<sup>2</sup> on the basic right to sufficient resources and social assistance for persons to live in dignity, the 2008 Recommendation on active inclusion of people excluded from the labour market<sup>3</sup> and the Social Investment Package (SIP)<sup>4</sup>, which also highlighted the need for targeted support from EU financial instruments, most notably the European Social Fund (ESF). The 2016 Council conclusions on an integrated approach to combatting poverty and social exclusion and the integrated guidelines for employment policies should also be mentioned in this regard.

In particular, the Recommendation on active inclusion (2008/867/EC) underlines the importance of a comprehensive and integrated active inclusion approach that combines adequate income support with a link to the labour market and access to quality services and elaborates specific ways for the integration of vulnerable groups. A 2017 evaluation on the implementation of the Recommendation shows an uneven picture regarding its impact across Member States partly reflecting differences in institutional arrangements and policies that govern the provision of benefits, activation measures and related services.

The key role of an active inclusion approach in ensuring the effectiveness of minimum income schemes is strongly emphasised in the reports and recommendations of the European Minimum Income Network (EMIN). Their assessment on national minimum income schemes across the EU shows, that despite improvements, many countries continue to face challenges related to adequacy and accessibility including inadequate level of benefit, incomplete coverage of all those in need and low levels of take-up. It

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<sup>1</sup> [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en)

<sup>2</sup> <https://publications.europa.eu/en/publication-detail/-/publication/9953c2cf-a4f8-4d31-aeed-6bf88a5407f3/language-en>

<sup>3</sup> <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32008H0867>

<sup>4</sup> <https://ec.europa.eu/social/main.jsp?catId=1044&langId=en>

also points to the limited progress made in many countries towards developing an integrated approach to support minimum income recipients and enable their full participation in society and, as far as possible, their integration in the labour market. Among the main obstacles identified in this regard are insufficient funding, the fragmentation of competencies across policy levels and inadequate coordination across different levels of governance.

## 2.2 Benchmarking framework for minimum income schemes and preliminary findings

During 2017-18, the Social Protection Committee (SPC) undertook a benchmarking exercise with the objective to develop a common framework to compare and monitor the performance and design of minimum income schemes across EU Member States. The exercise identified 11 indicators for the benchmarking framework. They include three outcome indicators capturing different dimensions of poverty, six performance indicators that are more directly linked to the broader social policy design, and two policy lever indicators that are intended to measure the adequacy of minimum income benefits (see Box 2.1 below). While no indicators were agreed to be included for the other two policy levers identified in the benchmarking exercise (namely on eligibility rules and take-up, and on activation and access to services), one of the performance indicators on coverage rates does provide some indication regarding adequate targeting of minimum income schemes.

### Box 2.1 Indicators in the benchmarking framework

#### ***Adequacy of minimum income benefits***

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

The first indicator measures the extent to which minimum income benefits contribute to reducing poverty, while the second one captures the activation dimension and potential disincentive effects. Both indicators are calculated on the basis of the OECD Tax and Benefit model and Eurostat data.

#### ***Outcome indicators:***

- **Relative at-risk-of poverty gap of the working age population (18-64)** (with breakdown for quasi jobless households)

It is calculated as the difference between the median income of those below the poverty threshold and the threshold itself, expressed as a percentage of the threshold. It measures the extent to which the incomes of those at risk of poverty fall below the threshold on average. In policy terms, it indicates the scale of transfers which would be necessary to bring the incomes of the people concerned up to the poverty threshold.

- **Material and social deprivation rate of the working age population (18-64)** (with breakdown for quasi jobless households)

It provides a measure of material deprivation based on 13 items (5 related to the individual and 8 related to the household). This is a new deprivation indicator that was adopted for the benchmarking framework. It applies a broader concept of deprivation than in the existing standard material deprivation indicator (defined as the proportion of the population that cannot afford at least 3 out of 9 deprivation items).

- **At-risk-of-poverty rate of the population living in quasi jobless households** (age group 18-59)

It measures the proportion of people living in quasi jobless households who are in relative poverty (i.e. those with disposable income below the national poverty threshold set at 60% of the national median equivalised disposable income). Quasi jobless households are defined as those where working-age adults (18-59) have worked less than 20% of their total work potential during the past year.

**Policy performance indicators:**

- **Impact of social transfers on the at-risk-of-poverty rate of the working age population (18-64)** (excluding pensions) (with breakdown for quasi jobless households (18-59));
- **Persistent at risk of poverty rate of the working age population (18-64)** (with breakdown for quasi jobless households (18- 59));
- **Coverage rate of social benefits for people at risk of poverty in quasi jobless households (18-59)** (excluding pensions);
- **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.

Preliminary findings on selected outcome and performance indicators presented at the Peer Review showed considerable variations across the participating nine Member States. Overall, the Czech Republic, Finland, and to a lesser extent, Belgium and Malta, tend to perform relatively well, whereas performance was mostly very low or low in Lithuania and Romania. In terms of coverage of social benefits, very high performers appear to be Finland, France and Malta followed by the Czech Republic and Germany. Results on the two policy lever indicators, presented in Box 2.2 below, show that the countries with a higher overall performance on outcome and performance indicators tend to be also the ones with a higher adequacy of benefits both in relation to the poverty threshold and to the income of a low wage earner.

**Box 2.2 Adequacy of benefits, 2016**

	BE	CY	CZ	DE	FI	FR	LT	MT	RO
Benefit as a % of poverty threshold	73.9	n/a	60,6	67,4	75,3	68.6	36.0	81.4	25.7
Benefit as a % of income of low wage earner	53.0	n/a	56.5	52.4	58.4	55.0	31.4	65.6	14.0

### **3 Cash Social Assistance in Lithuania after the reform**

#### **3.1 Implemented policy measures**

Lithuania has recently implemented reforms of its Cash Social Assistance (CSA), the main scheme to guarantee a minimum income for families and single residents without sufficient resources. The reform, launched in 2012, had two main elements: (1) decentralisation of the provision of CSA, i.e. transferring responsibility to local municipalities, and (2) introduction of activation measures to support the labour market (re)integration of working-age CSA recipients. The reform was first implemented in five municipalities, and following an assessment of the results, it was extended to all municipalities in 2015. Further amendments adopted in the past three years aimed to increase work incentives for benefit recipients and to improve the adequacy of assistance.

Cash social assistance in Lithuania is comprised of two main types of benefits: the social benefit and compensations for the expenses of heating, hot and drinking water. Eligibility for these depends on the income with the value of owned property also taken into account. These two CSA benefits are supplemented with additional means-tested benefits that are available for specific at-risk population groups, such as low-income families with three or more children.

Social benefits can be provided both in the form of cash and in-kind (e.g. social card and vouchers for basic items, free school meals for children etc.). The minimum level of cash social benefits is based on the state supported income and the amount varies according to the number of household members.<sup>5</sup> As of January 2018, the monthly amount of the state supported income is EUR 122. The social benefit is proportionately reduced for working age unemployed people who are capable of work (e.g. by 20% if the benefit payment period is between 12 and 24 months, and up until 50% if the payment is between 48 and 60 months). After 60 months, the payment is reduced by 50% and is continued as an in-kind benefit (previously it was simply discontinued after the 60th month). At the same time, long-term social benefit recipients receive an additional social benefit for six months from the time they start working given that they have registered at the PES. The amount equals 50% of the average amount received by the beneficiary during the six months preceding employment. It is granted only in the case when earnings are neither below the minimum wage nor do they exceed twice the minimum wage.

In the case of compensations, these are either paid to eligible recipients or directly transferred to utility providers.

Since the 2015 reform, the CSA (both social benefit and compensations) is funded and administered by municipalities. While the eligibility rules and level of benefit and compensations are provided uniformly across the country, municipalities do have some discretion (e.g. they can grant social benefits also in cases when the income of the household is above the amount of the state supported income). Further, they have full discretion when it comes to awarding additional benefits (e.g. paying of housing debts, lump-sum benefits etc.). Also, municipalities had initially a relatively large leeway to decide how to use funds not spent on CSA, but from 2018 onwards unused funds can only be allocated by municipalities to social security areas listed in the Law on CSA.

In addition to the implementation of the 2012-2015 CSA reform, Lithuania also took steps towards improving the adequacy and accessibility of benefits and promoting CSA recipients' integration to the labour market. Related changes include:

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<sup>5</sup> For single households, the benefit level is 100% of the difference between the state supported income and the actual income of the person. For multi-person households, the level is 100% for the first household member, 80% for the second, and 70% for the third and for additional family members.

- Raising the amount of the state supported income by 20% from EUR 102 to 122;
- Introducing a disregard for income which allows to exclude a certain level of labour income when calculating CSA benefits;
- Linking the minimum level of income to minimum consumption needs (MCN), calculated on the basis of a basket of food and non-food items (from 2019 onwards, all social indicators will be linked to the amount of MCN);
- Introducing the right to compensations for heating, drinking and hot water costs for poor residents who live in rented accommodations;
- Eliminating the eligibility requirement of registering at PES for six months for poor residents;
- Removing a proportionate reduction of the social benefit amount for those who cannot work;
- Creating more favourable conditions for receiving additional social benefits after employment (reducing the required period of registration with PES prior to employment from 12 to six months; and
- Extending the period of additional social benefit payment after taking up employment from six to 12 months.

Finally, changes were also introduced to prohibit the proportionate reduction of social benefits for working age unemployed benefit recipients, who despite having the ability to work, were not able to find employment (due to reasons of PES not offering them a job or placing them in an active labour market programme), or who participate in socially useful activities offered by municipalities.

### **3.2 Results of the reform**

The number of CSA recipients decreased drastically: from 221 900 in 2012 to 74 500 in 2017 in the case of the social benefit, and from 198 800 (2012) to 97 300 (2017) in the case of compensations for heating, hot and drinking water. The sharp decrease in beneficiary numbers also reflected in a substantial drop in expenditure. For compensations alone, it decreased by close to 68%. Since no evaluation was carried out on the CSA reform implemented in 2012 to 2015, it is difficult to ascertain to what extent the fall in recipient numbers can be attributed to the reform itself and to the general recovery of the labour market, characterised by employment growth and declining unemployment, or to other potential factors (e.g. rise in internal and external migration).

As a result of the significant changes to the CSA funding model, municipalities after the reform became fully responsible for the allocation of funding for CSA purposes as well as for the use of unspent CSA funds. Transferring greater decision-making power to municipalities led to better targeting of CSA and to more efficient use of the funds. Another positive outcome was improved inter-agency cooperation. Municipalities established Social Assistance Commissions (or Councils) whose members include representatives of local administrations, public employment services, NGOs, social workers and local community members. The active involvement of local community members and NGOs, in particular, in the allocation process contributed to increased transparency in the use of funds as well as to greater awareness among the local population about the CSA and its accessibility.

Nevertheless, there were also some negative aspects identified. For instance, municipalities appeared to extensively use funds for purposes other than stipulated in the law. In most cases, funds went to provide for other social support or services (e.g. day care centres, transport compensation etc.). Indeed, information provided by municipalities shows that funding allocated for CSA purposes more than halved, and unspent funds have been spent for either other social support or for other needs of the

municipalities, such as road construction or to cover credit reimbursements. To avoid the different allocation practices by municipalities resulting in discrepancies, changes were introduced restricting municipalities to decide only in the allocation of additional social assistance or services. Further amendments to the law were made in 2018 according to which funds not spent on CSA can only be used for social security areas prescribed in the Law on CSA. National and regional information workshops and competence trainings were also organised for municipal employees.

There are also some concerns regarding CSA recipients' participation in socially useful activities and the extent to which such activities actually provide a meaningful relation to the labour market. More promising are the introduced measures that are intended to increase incentives to work (e.g. disregard for income, additional social benefits after starting employment), and the provision of more tailor-made activation support, such as the recently implemented case management approach<sup>6</sup>.

Remaining challenges concern the overall low level of the state supported income to which the amount of CSA benefit is linked, the low average and minimum wage levels which may create a disincentive for CSA recipients to take up work, and further investing in developing adequate social integration services for long-term CSA recipients and their families.

The discussion with the other participating countries during the Peer Review underlined some of the positive aspects of the Lithuanian CSA decentralisation reform, which included the close collaboration of various local level stakeholders, including social workers, and the active involvement of local community members in the decision-making process. At the same time, the risk that the larger discretionary power of municipalities, if not exercised carefully, may lead to larger non-take-up of social rights was pointed out. Also, the reforms would have benefitted from a scientific evaluation and adequate monitoring of the impacts and effectiveness of the reform, which is currently missing.

## 4 Different models and perspectives in EU Member States

### 4.1 Types of benefits and eligibility

Practices and approaches on minimum income schemes vary significantly across EU Member States. These differences concern many aspects of the minimum income benefits such as the level of support provided, their adequacy in relation to the national poverty threshold etc. and are associated to the diverse national economic and welfare state contexts. In the Peer Review, the minimum income schemes for four countries were presented: Belgium, France, Germany and Malta.

In **Belgium**, there is a uniform legislative framework at federal level which stipulates the 'right to social integration' and covers all relative aspects, from eligibility conditions to government arrangements. This framework is devolved to the municipalities. The 'right to social integration' is mainly treated as a pathway to employment and/or provision of a guaranteed minimum income. Regarding eligibility criteria, age, nationality, residence, lack of financial resources, willingness to work and enforcement of other social rights are taken into consideration. The decision to grant the minimum income is made by a local public council based on the inputs of a social worker; the person who seeks to receive the benefit must take part in an intake conversation with the social worker. This social assistance is reviewed at least every year but there is no specific duration or limit. The municipal Public Centres for Social

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<sup>6</sup> This approach was explained in more depth during the Peer Review on 'Way to work – strengthening the links between active labour market policy measures and social support services' ( please see <https://ec.europa.eu/social/main.jsp?catId=1070&langId=en&newsId=9109&furtherNews=yes>)

Welfare are in charge of its implementation and the rules are specified by law. The beneficiary has the duty to be cooperative and truthful.

In **France**, the national scheme to guarantee a minimum level of income is the 'income of active solidarity' (*Revenu de Solidarité Active-RSA*) which was implemented in 2009 replacing the previous minimum income scheme (*revenue minimum d'insertion-RMI*). The active solidarity income is composed of two elements: 1) the basic RSA that is addressed to people whose income is lower than a fixed amount regardless of their employment situation and 2) an activity bonus which is aimed at employed people whose income is lower than a guaranteed minimum amount and is intended to create work incentives. The income thresholds allocation procedures as well as the amount of the benefits are determined at national level. With regards to the criteria, the basic criterion is an income below a certain level while residence in France and the age criterion (above 25) are applied obligatorily. A separate active solidarity income was introduced in 2010, for young persons below the age of 25 (*RSA jeunes actifs*).

In **Germany**, the minimum income benefit is regulated by federal law and provided at local level by job centres. It provides means-tested financial support to ensure a decent subsistence level and supports beneficiaries to (re-)integrate into the labour market. It is addressed to persons that are not covered by other resources. There are three monetary minimum income schemes:

- 1) the basic income support for job seekers, which provides the unemployment benefit II (*Arbeitslosengeld II*) for those that are in need, not employed but capable to work or employed but their income is not sufficient to secure a decent life, while household members of *Arbeitslosengeld II* beneficiaries, who are themselves unable to work or below the age of fifteen, are entitled to the social benefit (*Sozialgeld*);
- 2) various types of social assistance (*Sozialhilfe*) for those in need but not eligible for the aforementioned benefits. This assistance covers persons with temporary or permanent reduced working capacity or persons above a certain age that are unable to work.

The *Arbeitslosengeld II* and *Sozialgeld* benefits are administered by Job centres where the local employment agency and the local authority generally work together as the agencies ultimately responsible for the benefits. The federal state provides funds for social benefits, staff and integration measures. Additional funds are provided by the municipalities. The benefit level and the eligibility conditions are uniformly regulated by law and do not vary by job centres.

In **Malta**, there is no minimum income scheme as such, but a means-tested safety net exists in order to provide financial support to those that are not eligible for other types of social insurance benefits and to those whose entitlement has expired. The benefit is granted when the contributory unemployment benefit expires and is regulated nationally. Regarding the criteria to grant the financial support, a permanent residence permit is required, and assets should not exceed a certain amount while the person should be the head of household, be unemployed or in the job-seeking phase. There is no time-limitation and beneficiaries are obliged to search for suitable work unless they are unable to work. In the latter case, they are subject to a medical review on a regular basis. In addition, there is also a tapering of benefits which is available for:

- a) persons in receipt of Social / Unemployment Assistance for one year in the last three years, are employed and earn at least the National Minimum Wage; and
- b) single parents with children under the age of 23, in receipt of Social / Unemployment Assistance and are working at least 10 hours a week.

In 2015, the In-Work Benefit was introduced, targeting low to medium income workers. Married couples or single parents in employment with children under the age

of 23 are eligible for this benefit. The benefit is calculated on net income and eligibility does not result in a reduction of Children Allowance entitlement.

Minimum income schemes of other countries participating in the Peer Review are the Guaranteed Minimum Income (GMI) scheme in **Cyprus**, introduced in 2014, which is the main support provided to families with insufficient income to cover their basic needs. The scheme is administered by the Welfare Benefit Administration Service. Benefit entitlement is dependent on age, residence, available property and assets, and is also subject to fulfilling a number of job-seeking/acceptance conditions including registration with PES, acceptance of job offers, participation in vocational training etc.

In the **Czech Republic**, the minimum income scheme is managed centrally by the PES and administered by local labour offices that have the authority to replace cash benefits with benefits in kind. Among others, eligibility is subject to unemployed recipients accepting any suitable job offer (including temporary work), adhering to obligations set in an *Individual Action Plan* and participating in (re-)training or in a targeted active labour market programme.

In **Finland**, social assistance is comprised of three elements that come with their own set of eligibility criteria: the basic social assistance is based on national legislation and administered centrally, the supplementary social assistance which covers additional expenses, and the preventive social assistance, that aims to promote independent living and prevent social exclusion. The latter two are administered by municipalities. The basic social assistance is paid monthly and is conditional based on monthly means-testing.

In **Romania**, the guaranteed minimum income (GMI) is the main benefit allocated to those in need. Eligibility requirements include residence and fulfilling the means-test. In addition, those at working age capable of work are obliged to accept any job offer from the PES or participate in community work. Based on a 2016 legislative decision, the GMI together with two other means-tested schemes (Family support allowance and Heating aid) were merged into a new benefit called the 'minimum inclusion income' (MII).

#### 4.2 Setting and adequacy of minimum income benefit levels

Countries use different approaches and methodologies to determine the level of their minimum income benefit. Some countries set their benefit level in relative terms, e.g. in relation to the minimum wage such as is the case in **Malta**, while in most cases the level of the benefit is based on an assessment of the costs of a range of needs and goods, such as food or clothing.

In **Cyprus**, the benefit is defined as the difference between the (estimated) basic and (actual) family income with the basic income 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 society. Similar to Cyprus, the level of the social assistance benefit in **Finland** is the difference between the applicant's income and the minimum income needed to cover essential costs of daily living including a reasonable amount of other basic expenses, such as housing, childcare etc. According to the new methodology adopted in **Lithuania**, the minimum level of income is set on the basis of minimum consumption needs (MCN), which are calculated on the basis of a basket of food and non-food items.

In **Romania**, the benefit amount is calculated as the difference between the family's income and the minimum guaranteed income level. Thresholds for minimum guaranteed income level are set according to the number of persons in the family and on the basis of a list of goods and basic necessity (in line with the reference social index).

The **Czech Republic** uses for the calculation of the benefit, the living minimum and subsistence minimum, whereas the setting and updating of the benefit level of the *Arbeitsloseneid II* and *Sozialhilfe* in **Germany** is based on a scientific, empirically

based method, 'statistical standard method' and it is measured every five years by means of the 'Income and Consumption Sample'.

Countries also vary, albeit to a lesser degree, as regards to the mode and frequency of adjustment of the benefit level (see Box 4.1 below).

#### Box 4.1 Indexation of minimum income benefits

Belgium	The level of the benefit is automatically adjusted if the cost of living has increased by more than 2%.
Cyprus	The value of the consumption basket is adjusted to account for changes in consumer prices.
Czech Republic	The level of the living minimum is adjusted by government decision every 1 <sup>st</sup> of January if the increase in the consumer price index for food and personal needs exceeds 5%.
Finland	The amount of the basic social assistance is annually adjusted according to the index of national pensions.
France	The benefit amount is adjusted annually according to the consumer price index.
Germany	The benefit is adjusted by means of the 'Income and Consumption Sample' every five year. In the intervening years, the benefits are updated according to a mixed price and wage index.
Lithuania	The benefit is adjusted according to the consumer price index based on government decision.
Malta	The benefit is adjusted annually by the government in accordance to the minimum wage and by 2/3 of the full Cost of Living increase.
Romania	While the thresholds are established by law, they are not automatically updated.

### 4.3 Active Labour Market and Active Inclusion Policy Measures

In **Belgium**, as part of the policy of social activation, two measures were introduced: The Individualised Project for Social Integration and the Allowance for Participation and Social Activation. In the first measure, minimum income recipients have to agree with the social worker from the Public Social Welfare Centre on a formal individualised plan which is then followed-up at regular intervals by the social worker to assess if further tailor-made support is necessary. The Allowance, provided by the Belgian government to the local municipalities, is aimed to fund collective and individual activation measures for the beneficiaries. These can be used for promotion of social integration, tackling child poverty, or for collective actions.

**France** implemented two different measures to facilitate the labour market integration of minimum income recipients. The general scheme (PPE) allows beneficiaries to have either their tax reduced or receive a voucher (for those with no taxable income) after they return to work. A separate scheme for those on minimum income benefit entitles recipients to retain their benefit fully and then partially after taking up employment.

**Malta** has recently launched three active labour market and inclusion initiatives with a strong focus on single parent families. The first initiative, i.e. tapering of benefits, is targeted at social assistance beneficiaries who have been in receipt of the benefit at least for one year within the past three years and are now employed earning at least

the minimum wage. With the tapering scheme, they can retain part of their benefit while in employment. Single parents can also apply and in their case the condition of the minimum one year benefit payment rule is relaxed. The in-work benefit scheme was implemented in 2015 with the objective of financially supporting low to middle income families (with dependent children) where one or both adults are working. Lastly, the free-childcare scheme, available since 2014, is primarily aimed at promoting the labour market entry and retention of women with children under three years of age. The programme is fully funded by the State and offers free of charge quality early childhood education and care services.

In **Germany**, basic income support is very much linked to engagement in active inclusion measures and is based on mutual obligations both on the side of the benefit recipient and the job centre. While beneficiaries are legally obliged to sign a personal integration agreement and follow further specific requirements, the job centres must offer comprehensive support, also taking specific needs into consideration. This support entails having a personal contact person assigned to each job seeker, counselling and job placement, and case management for those needing the most assistance (e.g. long-term unemployed). Germany, like France and Malta, provides a complementary basic income support for those who enter into employment, but with a too low income. Further, only part of their earned income is deducted when calculating the benefits.

## **5 Main themes of the Peer Review**

### **5.1 Adequacy of benefits: Governance arrangements and indicators**

The discussions in the Peer Review first centred on reflecting on issues related to the adequacy of benefits. Diverse national economic and welfare contexts lead to different governance arrangements that are set up in the Peer countries to ensure the implementation and coordination of minimum income support. While all participating countries have some form of minimum income scheme in place, governance and administration schemes vary considerably across countries. Some Member States have decentralised systems such as Belgium, Finland or Lithuania, while for example in Cyprus, the Czech Republic, Germany or Romania the approach on social assistance is centralised.

Most participating Member States, such as Belgium and Lithuania, identified a gap between the given and needed social assistance. In Lithuania for example, the minimum income benefit amounts for 50% of the minimum consumption need. Problems on adequacy of benefits are highly associated to economic growth and the subsequent increase in housing costs across Europe; Cyprus, Finland, Malta expressed concerns about the adequacy of housing benefits in relation to the rent levels.

The Peer Review also provided to participants the possibility to suggest the most important indicators to include and to monitor when setting the level of minimum income benefits. Proposed indicators included a few consumption-related indicators such as the reference or the minimum consumption basket since minimum income should provide a minimum level of living standard and decent life. Other indicators mentioned were AROPE<sup>7</sup>, minimum wage, unemployment rate, state budget, but also indicators related to well-being and social participation. Peer countries underlined the need for a more holistic approach when setting the level of minimum income benefits as well as the need to re-examine the current adequacy of benefits since the aforementioned indicators are not systematically taken into consideration.

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<sup>7</sup> The AROPE rate refers to the share of the total population which is at risk of poverty or social exclusion and is the headline indicator to monitor the EU 2020 Strategy poverty target.

## **5.2 Preventing long-term dependency on social assistance**

Minimum income and social assistance discussions are associated to concerns on long-term dependency on such assistance. The discussions during the Peer Review revealed some of the factors that contribute to developing long-term dependency on minimum income schemes. Lack of access to adequate and flexible social services, inadequate activation measures, insecurity, low work incentives, and discrimination were mentioned as important causes. In addition, individual factors, such as health problems and addictions were highlighted. What also emerged from the Peer Review discussions is that the problem is often a result of a combination of multiple factors. Tackling these requires coordinated action in the provision of monetary support, services and measures to facilitate labour market integration.

Participants reflected on measures that can be taken to best prevent and break the cycle of long-term dependency on benefits and social assistance. First of all, the Peer Review reiterated the need for an integrated approach to ensure active inclusion that encompasses active labour market policies as well as social inclusion measures, including access to different types of services. These services can vary from childcare, elderly care, healthcare, housing to legal assistance or assistance for employment/vocational training.

Long-term dependency on benefits can result from insecurity-related issues. The discussions pointed here to the importance of individualised assessment and profiling. In this process, municipalities are called to provide targeted interventions and tailor-made support for minimum income recipients. The need for an individualised approach was also underlined for job matching; social workers and public services should provide counselling based on profiling. Moreover, more flexible access to the minimum income schemes can have positive implications for long-term dependency and it can be achieved through simpler application processes. Some existing good practices, such as peer group support (in Belgium) or the case management approach (e.g. in Lithuania), that could be transferred to other country contexts, were highlighted.

The need for providing incentives to take up employment was also emphasised. For instance, continued payment of benefits while taking up a job and working could increase the incentives to work and can be supplemented by incentives targeting employers, provided in the form of wage subsidies, for example.

## **5.3 Access to adequate and quality services**

The discussions in the Peer Review gave participants the opportunity to also critically reflect on how adequacy, accessibility and effectiveness of cash social assistance and services for minimum income recipients can be improved.

First and foremost, some services need to be integrated to improve the social inclusion and activation of minimum income recipients. The importance of integrated services (e.g. one-stop-shop) as well as of 'customer/recipient' segmentation was underscored. Participants identified groups of minimum income recipients that require specialised, flexible and quality service provision: for example, employable people living in remote or rural areas, recipients with dependents, recipients with (mental) health problems and /or addictions or recipients that could be easily integrated into the labour market, but for whom training is required.

In addition, the need for a variety of access points (face-to-face, e-services) to facilitate access for service users with different needs was considered essential by the participants. In this regard, the peer discussion drew attention to prevailing disparities in the availability and quality of services provided both within and across the countries.

Strengthening the cooperation and coordination across different governance levels (central, regional, local) and between different stakeholders (e.g. local municipalities,

public service providers, civil society organisations) is a crucial step to ensure access to mainstream services (e.g. health and education) for minimum income recipients. Regular information exchange and clarity of roles between central and local government levels and between employment and social services are two important steps for better cooperation and coordination. A good practice of information exchange that was highlighted during the Peer Review was the French approach, where regular meetings between local and national actors take place.

The Peer Review discussion also reiterated the need to ensure accessibility, quality and adequacy of minimum income schemes and services for specific groups such as persons with health issues, addictions etc. Specifically, participants proposed integrated case management to identify real needs, social workers in relevant institutions (e.g. hospitals), simple entry points as for example automatic online application to declare job loss, enhanced HR management of social workers to ensure confidentiality and continuity of work, community involvement to support persons. Last but not least, systematic monitoring evaluation and feedback of users was also underlined since it can have a great impact on the overall policy-making process and on the improvement of the system.

## **6 Conclusion and Key Learnings**

The Peer Review provided a platform for the participating Member States to reflect on their national minimum income policies and exchange experiences and ideas regarding the development and assessment of adequate assistance for those most in need. Participants discussed the strengths and weaknesses of different governance arrangements set up for the implementation and coordination of minimum income support and the implications these have for the adequacy of the benefits. The discussion also identified possible factors that contribute to long-term dependency on minimum income schemes and discussed measures that could prevent and address this.

Overall, the peer discussion was characterised by a strong emphasis on the need for an active inclusion approach to minimum income schemes that encompasses the provision of adequate benefits, active labour market policies as well as access to effective and enabling services. Participants agreed that such an active inclusion approach should be central to governments' anti-poverty strategies.

In terms of adequacy, minimum income benefits need to be raised to an adequate level that guarantees a decent standard of living and secures a life in dignity, while also providing work incentives for those able to work.

In order to facilitate the social integration of minimum income benefit recipients, especially those with cumulative disadvantage, and prevent long-term dependence on social assistance, monetary incentives should be combined with active and preventive labour market measures. Targeted active labour market programmes and tailor-made support for minimum income recipients, based on individualised assessment and job profiling, were identified as key features of successful activation strategies.

The need for a holistic approach with respect to the labour market integration of minimum income beneficiaries, was also highlighted. This requires coordination both in the design and in the implementation of policies among different institutions and actors at national and decentralised level.

The peer discussions reiterated the important role of integrated services, including of specialised services, and the need to further improve cooperation between employment and social service providers.

In addition, more attention should be paid to the issue of non-take-up of minimum income benefits, a challenge that is common across EU Member States.

Monitoring and evaluation of minimum income schemes is essential in order to ensure that benefits reach their target groups and public sector financial resources are used in

an efficient and equitable way. Increased scientific knowledge, in particular, improved data collection and further developing methods to identify and measure non-take-up would be necessary in this regard.

The opportunity to exchange and work together on one topic during two subsequent Peer Reviews was underlined as an effective way to tackle common challenges and to further explore and build upon initial outcomes obtained. The possibility to contribute with in-depth analysis of the situation in Member States as well as with good practices to the more structured dialogue among Member States' authorities on a voluntary base was seen as very positive. The outcomes of such thematic discussions on designing and implementing minimum income schemes could feed into the work of the Social Protection Committee.

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