

New reform of the minimum income scheme in Slovakia: slight improvements, but further steps needed

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For many years, the minimum income scheme in Slovakia has been characterised by low adequacy and by the lack of a transparent indexation mechanism. In April 2019, a reform of the scheme addressed these and other issues. Nonetheless, despite these improvements there are still some unresolved problems that need to be addressed.



Description

Minimum income protection in Slovakia is provided through the “Assistance in material needs” scheme (*Pomoc v hmotnej núdzi*). This non-contributory, means-tested scheme is organised at central State level; benefits are paid by the state administration. At municipal level, one-shot benefits and counselling are provided. Assistance consists of five cash benefits: the “material needs” benefit, which is the main component, and four possible supplementary allowances (activation allowance, protection allowance, allowance for dependent children and housing allowance). To be entitled to material needs assistance, the household’s income must be below the minimum subsistence threshold, which is calculated on the basis of household composition. In order to be entitled to the allowances, various additional requirements have to be met, such as, for example, participation in activation measures, reaching the pensionable age, being a lone parent, or having a child attending compulsory school (OECD, 2018; Gerbery, 2015). Provision of the material needs benefit is conditional on participation in a public works scheme. The total amount of the benefit for a given type of household is reduced by €64.7 for each adult who does not take part in any of the activities defined by the law for at least 32 hours per month. This obligation to work in order to receive the benefit does not apply to persons who are not able to work or who are involved in other types of activities (e.g. education, improving qualifications, etc.).

For a long time now, the minimum income scheme in Slovakia has failed to provide sufficient protection against poverty (Kusá 2014; Gerbery 2015). There are several reasons for this, including the low level of benefits, the low impact of household composition on the calculation of benefits, and the lack of transparent indexation mechanisms. The poor adequacy of the minimum income scheme had been attracting increasing attention. For instance, in its latest Country Report, the European Commission highlighted the persistence weaknesses in the social safety net whose adequacy level is below the EU average (European Commission, 2019). This is true for the material needs benefit as well as the housing allowance, which covers only a small part of the real housing costs. The review of public spending on vulnerable groups, prepared by the Value for Money unit affiliated to the Ministry of Finance (Value for Money, 2019) argues that the gap between the guaranteed level of the minimum income protection and the at-risk-of-poverty threshold has continually widened due to a lack of regular indexation of the benefits. In addition, a significant number of people on an income below the subsistence minimum have not been entitled to material needs assistance: in 2017, only 62% of people on an income below the subsistence minimum, and 30% of people living below the at-risk-of-poverty threshold, were covered by the minimum income scheme (as an illustration: in 2017, the monthly subsistence minimum for a single person was €199.48 (monthly amount) and the at-risk-of-poverty threshold for a single person [based on EU SILC 2017] was €359.16) (Value for Money, 2019: 56).

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The Act on Assistance in material needs was amended in April 2019 with a view to addressing some of these long-standing problems. The amount of the material needs benefit and that of three of the four allowances (the activation allowance, protection allowance and allowance for a dependent child) have been increased by 5% on average. The level of minimum income protection had not been adjusted to the changing socio-economic context for many years. Moreover, a regular indexation mechanism has been introduced. According to the new rule, changes in the levels of the material needs benefit and allowances will follow changes in the levels of the subsistence minimum. The latter are adjusted on 1 July each year, using the lowest coefficient between the growth of net monetary income per capita and the growth of living costs among low-income households.

The reform has introduced further changes in the provision of the activation allowance. The purpose of this allowance is to obtain, maintain and develop knowledge, skills, and work habits. Eligible activities include participation in education and preparation for the labour market, activation work in the form of small community services for the municipality or for the self-governed region, or voluntary activities and upskilling through distance learning at a secondary school or university. Since 2019, two levels of activation allowance are provided with the aim to strengthen incentives to enter the labour market. The upper allowance amounts to €132.4 per month and is granted to persons who live in households receiving material needs assistance and who work. The lower level is €66.2 for any other eligible person who does not work.

The amendments also affect a fifth allowance. This is an in-work benefit, which is not formally part

of the material needs assistance. It is granted to long-term unemployed persons who have started to work and who earn less than twice the minimum wage. It is also provided to persons in employment who live in households receiving material needs assistance. As such, it is not taken into account when the household's entitlement to the assistance is assessed. The reform has extended the period of its receipt. Prior to the reform, it was provided for a period of 12 months: during the first six months, the monthly amount was €126.14 and during the next six months €63.07. Now, the provision has been extended to 18 months: €126.14/month during the first 12 months and €63.07 during the last six months.

Finally, the April 2019 reform modifies the eligibility conditions with regard to the household composition and relationships among household members, in order to facilitate access to the assistance.



Outlook and commentary

Even though the amended Act on Assistance in material needs brings about important improvements, there are still some unresolved problems that need to be addressed.

For many years now, activation has been a central element of the minimum income protection. The new reform follows this approach, but at the same time gives more prominence to the issue of adequacy.

The increases in the benefit and allowances are intended to compensate for a long period of inaction in this field. However, some problems persist with regard to the adequacy of the minimum income protection. Given its low

level (Kusá, 2014; Gerbery and Miklošovič, 2018), 5% growth is an important step in the right direction but is not sufficient to guarantee a decent living standard. In addition, the housing allowance – an important part of the minimum income scheme – has not been increased. Moreover, the number of children in the household is not sufficiently taken into account in the calculation of the material needs benefit. For example, a household with two children and a household with four children are entitled to the same level of material needs benefit.

The eligibility criteria should also be reviewed. Despite efforts, there are still requirements which limit access of some people living below the poverty line to the material needs benefit.

Further reading

Kusá, Z. (2014): European Minimum Income Network Country Report. Slovak Republic.

Gerbery, D. (2015): ESPN Thematic Report on Minimum Income Schemes. Slovakia.

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OECD (2018): The OECD Tax-Benefit Model for Slovak Republic. Description of policy rules for 2018.

Value for Money (2019): Revízia výdavkov na skupiny ohrozené chudobou a sociálnym vylúčením. Priebežná správa, Ministry of Finance of the Republic of Slovakia.

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