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# COMMISSION STAFF WORKING DOCUMENT

*Accompanying the document*

**Proposal for a COUNCIL RECOMMENDATION**

**On adequate minimum income ensuring active inclusion**

{COM(2022) 490 final}

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# Table of Contents

## 1. Policy context

**The fight against poverty and social *exclusion* and the right to adequate minimum income plays a key role in the European Pillar of Social Rights.** The Commission proposal for a Council Recommendation on adequate minimum income implements principle 14 of the Pillar, which 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. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market".*

On 4 March 2021, the Commission adopted the European Pillar of Social Rights **Action Plan**, which was welcomed by the Union leaders at the Porto Summit on 8 May 2021. The Action Plan sets **ambitious headline targets** in the areas of employment, skills, as well as poverty. By 2030, the number of people at risk of poverty or social exclusion should be reduced by at least 15 million, including at least 5 million children, while at least 78% of people aged 20 to 64 should be in employment and 60% of adults should participate in training every year. In June 2022, Member States presented their national targets along this ambition. In its conclusions of 12 October 2020[1], the Council invited the Commission to initiate an update of the Union framework to effectively support and complement the policies of Member States on national minimum income protection.

**The proposed initiative aims at combating social exclusion** by promoting adequate income support, in particular through minimum income, effective access to enabling and essential services for people lacking sufficient resources and labour market integration of those who can work. In doing so, the initiative also aims at supporting high levels of employment.

**The proposal builds on the ambition of the Council Recommendation 92/441/EEC** of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems[2] and extends its scope to provide a more holistic and concrete guidance to Member States on how to improve the effectiveness of minimum income (hence also proposing to replace Recommendation 92/441/EEC). It complements the Commission Recommendation 2008/867/EC of 3 October 2008 on the active inclusion of people excluded from the labour market[3]. The latter sets out a comprehensive strategy to facilitate the integration into sustainable, quality employment of those who can work and to provide resources which are sufficient to live in dignity, together with support for social participation for those who cannot. The proposal takes into account the content and key messages of the first joint report of the Social Protection Committee ('the SPC') and the Commission[4], which delivers an analysis and overview of national minimum income.

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[1] Council Conclusions of 12 October 2020 'Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond'.

[2] Council Recommendation 92/441/EEC on common criteria concerning sufficient resources and social assistance in social protection systems (OJ L 245, 26.8.1992).

[3] Commission Recommendation 2008/867/EC of 3 October 2008 on the active inclusion of people excluded from the labour market (OJ L 307, 18.11.2008).

[4] Joint Social Protection Committee – Commission report on minimum income, 2022.

**Minimum income** brings together three mutually reinforcing strands – i) minimum income benefits, ii) measures fostering social inclusion and provision of quality services, iii) tailored assistance and incentives to access to inclusive labour markets. This comprehensive approach is particularly important for people furthest from the labour market facing complex barriers to employment and participation in society. In this way, minimum income are not a passive tool but should act, to the extent possible, as a springboard to improve inclusion and employment prospects.

**Income support** consists of a spectrum of monetary benefits addressing different needs, complemented, where relevant, with access to essential services, enabling services and activation measures. Such monetary benefits may include, for instance, child and family allowances, housing benefits, unemployment benefits, disability benefits, old-age benefits or in-work benefits and also the minimum income benefits.

**Minimum income benefits** play a special role within overall income support as they aim at filling the gap to reach a certain overall level of income in a given household. They are non-contributory benefits of last resort, when other sources of income or benefits have been exhausted or are not adequate to ensure a life in dignity.

**Well-designed minimum income help reduce social inequalities and disparities within Member States, thus enhancing upward social convergence.** Ensuring that persons lacking sufficient resources have access to adequate minimum income is essential for a life in dignity and supporting sustainable and inclusive growth.

**While minimum income exist in all Member States, their design differs markedly** with regard to the coverage and take-up of benefits, the adequacy of income support, and the links of these to labour market activation measures and enabling services. This, in turn, leads to a heterogeneity in social and employment outcomes. While some Member States have recently introduced new, or modernised their already existing minimum income, in other countries implementation of reforms has been slow, as reflected by long-standing country-specific recommendations issued in the European Semester process. In addition, thematic discussions under the Open Method of Coordination[5] have highlighted mutual challenges, in particular related to the non-take-up of benefits and the need to further support beneficiaries in participating in the labour market and integrating in the society.

**The COVID-19 pandemic has highlighted the key role and the effectiveness of social protection systems to cope with economic shocks.** Some gaps in the coverage of social safety nets have, however, become more visible. While the Union and the Member States took decisive actions to mitigate the socio-economic impact of the crisis, most of the adopted support measures was temporary and many responses focused on policies targeting people already in employment. Confinement measures had a disproportionate impact on women and people in vulnerable situations, notably in terms of the higher burden of informal care work and more limited access to healthcare, education and other social services, also aggravating pre-existing limitations in access to employment. The consequences of the pandemic

[5] Link: https://eur-lex.europa.eu/EN/legal-content/glossary/open-method-of-coordination.html#:~:text=The%20open%20method%20of%20coordination,introduce%20or%20amend%20their%20laws.

highlighted the critical role of minimum income to protect individuals and their families, to prevent them from falling into poverty and to preserve a proper standard of living in times of crisis.

Furthermore, following Russia's illegal and unjustified aggression against Ukraine, **the sharp increase in energy prices and hiking inflation is affecting low- and lower middle-income households and risks aggravating energy poverty**. This is likely to put more people into precarious circumstances and further aggravate the situation of the most vulnerable. Social protection systems of Member States are thus under strain and require that any gaps in social safety nets are sealed.

**Globalisation, the digital and green transitions and demographic change have driven changes in European labour markets for the last two decades and will continue to do so in the future.** While those trends bring new opportunities, they also accelerate the rhythm of labour market transitions. In this context, strengthening minimum income can contribute to ensure that everybody is protected from being at risk of poverty or social exclusion, including through providing sufficient support and incentives to (re)enter the labour market for people who can work.

This Staff Working Document accompanies the Commission proposal for a Council Recommendation on adequate minimum income and replacing Recommendation 92/441/EEC. It: (i) presents the challenges addressed by the initiative; (ii) reviews the responses to these challenges; and (iii) discusses the likely impact of a series of reform scenarios as potential further responses to the challenges. A summary of the stakeholder consultations is included in Annex 11 to this document.

## 2. Poverty trends and impact of social protection on income

**In spite of some progress over the last decade, poverty and social exclusion remain a persistent challenge in the Union.** The number of persons at-risk-of-poverty or social exclusion had steadily declined for seven consecutive years until 2019. However, the COVID-19 pandemic and its socio-economic impacts might have put this positive trend to a halt. In 2020, the number of persons at risk-of-poverty or social exclusion reached 94.7 million (or 21.5% of the total population), reflecting stability in most Member States while breaks in data series were recorded in a few Member States[6]. The at-risk-of-poverty or social exclusion is more prevalent among women than men (22.3% vs 20.6%)[7], people with disabilities, as well as people from Roma communities. While preliminary information indicates that support measures and automatic stabilisers enabled to prevent increases in poverty and inequalities in the pandemic, we are yet to see the impact of the pandemic and the impact of the current spike in inflation and energy prices.

While until 2020 the Union economy continued to expand, employment reached the highest level ever recorded and unemployment returned to the pre-2008 levels, the COVID-19 pandemic put a halt to those positive trends. As the economy recovers, not all jobs are likely to be reinstated, and support to job transitions is becoming particularly important. Given the uneven impact of the crisis on different groups, tailor-made active labour market policies are important to ensure an inclusive recovery. The consequences of the war in Ukraine are likely to further exacerbate the challenges ahead.

**Overall, the relative income situation of people in vulnerable situations has not been improving over the past decade,** indicating gaps in the effectiveness of Member States' social safety nets. The at-risk-of-(monetary) poverty rate for those who live in quasi-jobless households had increased for five consecutive years until 2018 and remained persistently high (around 62% in the Union, with some Member States above 75%) in 2019 and 2020. The relative median income poverty gap (which measures the intensity of poverty, in other words how poor the poor are), stood at 24.8% in 2020, showing an overall deterioration between 2008 and 2020. It has been accompanied with a similar trend in persistent poverty (which measures how likely a poor person is to stay poor).

**Regarding trends in deprivation, the severe material and social deprivation rate improved substantially between 2015 and 2019** (by 3 percentage points, from 9.7% to 6.7%). However, it remained broadly stable between 2019 and 2020, with a 0.1 percentage point increase. The highest proportions of people who were severely materially and socially deprived in 2020 were recorded in Romania (25%) and Bulgaria (22%). On the other hand, the proportion was less than 5% in 15 of the 27 Member States, which points to large variation in terms of deprivation across the Union.

**Poverty is likely to remain broadly stable in the coming years unless Member States strengthen their social protection and social inclusion systems.** Projections of the Joint

[6] DK, DE, IE, FR, LU.
[7] Source: Eurostat ilc_peps01, year: 2020.

Research Centre's ('the JRC')[8] indicate that structural trends are expected to increase market income inequality in the period from 2019 to 2025. If no policy change is implemented, the tax-benefit systems of most Member States are projected to be able to partly cushion the distributional consequences of structural changes, including those related to skills structures and ageing. However, poverty is projected to remain stable at the currently high levels (with only 700,000 less people projected to be at-risk-of-poverty in 2025 than in 2019).

**There are large differences between the Member States in the capacity (or effectiveness) of social protection systems to cope with economic shocks and provide for adequate social protection.** While the impact of social transfers (excluding pensions) in reducing poverty was in 2020 above or close to 50% in Ireland, Finland and France, it remained below 25% in Romania, Bulgaria, Croatia, Malta, Italy and Latvia. Specifically, there are substantial differences in the adequacy, coverage and take-up, of income support to households.

*Box: **Main concepts and definitions***

*1) **Income support*** means the total of all types of monetary benefits provided to the household, including minimum income benefits.

*2) **Minimum income benefits*** play a special role within overall income support as they aim at filling the gap to reach a certain overall level of income in the a given household. They are non-contributory benefits of last resort, when other sources of income or benefits have been exhausted or are not adequate to ensure a life in dignity. Minimum income benefits are means tested and financed by taxes. Various forms of social assistance benefits are identified as minimum income benefits in the Member States (composed by one single or a cluster of benefits). Minimum income benefits are typically national, but can be complemented or substituted by regional or local schemes. The granted amounts of the benefits generally depend on household composition. Minimum income benefits are usually not time-limited, but available for as long as the eligibility is maintained. Finally, they might be linked to activation conditions, requiring beneficiaries who are able to work to participate in active labour market measures and to actively seek employment. The list of minimum income benefits in Member States used for this document is in Annex 1.

*3) **Minimum income*** refers to non-contributory and means-tested safety nets operating within social protection systems.

4) ***Coverage*** means the entitlement to participate in minimum income schemes, as defined by the national legislation.

5) ***Take-up*** means the proportion of persons entitled to participate in minimum income schemes who actually take part in them.

[8] Christl M., Livanos I., Papini A.: 'Use of EUROMOD microsimulation - Modelling of Fairness and Resilience of Tax and Social Benefits Systems and Reforms'; Assessment of minimum income scenarios, March 2022. Note that the analysis uses EUROMOD, the microsimulation model for the European Union, and it is based on Cedefop skills forecast data, projections of pension expenditures from the 2021 Ageing Report and EUROSTAT population projections.

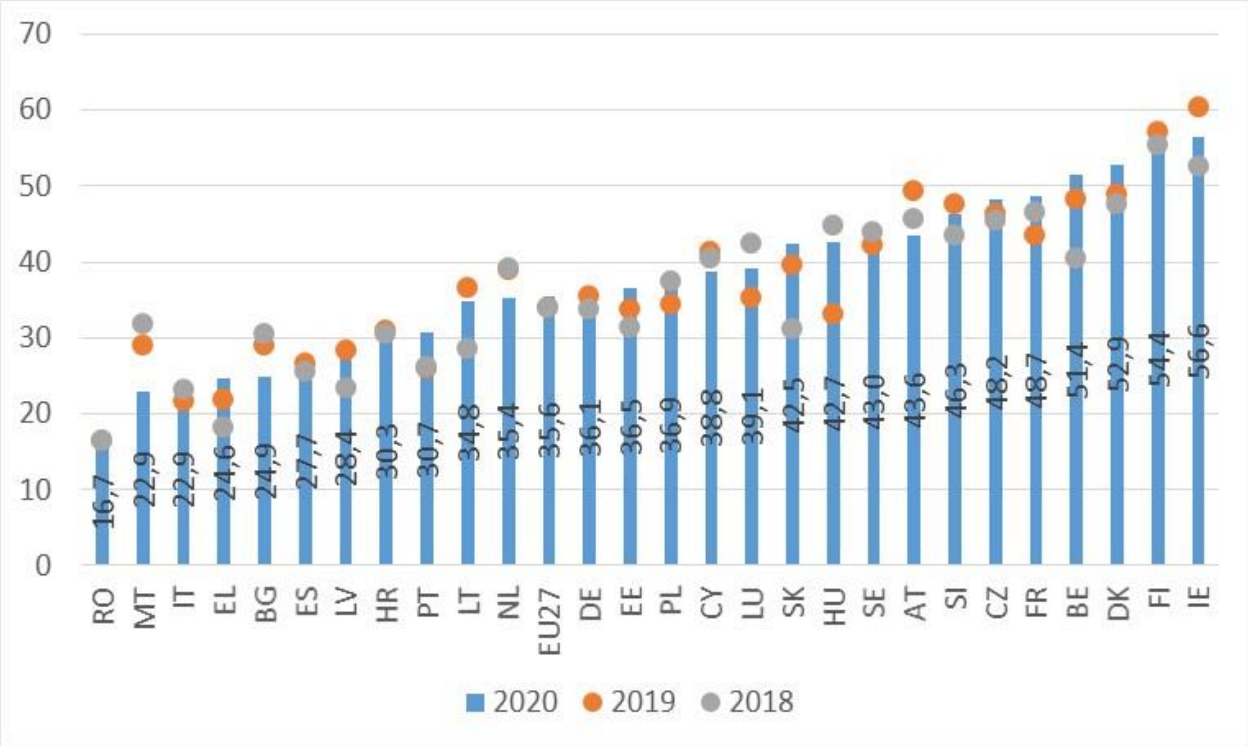
***Data used:*** *Cross-country quantitative comparisons are primarily based on data from the income year 2019 (in particular EU-SILC 2020; OECD 2019; Eurostat 2019), which were the latest available at the time of drafting this Staff Working Document and also ensure consistency with the 2022 Joint Social Protection Committee – European Commission report on minimum income and the latest update of the benchmarking framework developed by the Social Protection Committee[9]. This also relates to the EUROMOD simulations on hypothetical reform scenarios, prepared by the JRC[10], as described in Chapter 5. Although 2020-2021 policy years are already released in EUROMOD, it was decided that 2019 would be the main policy year for two main reasons. First, the simulations aim at capturing the main structural elements of minimum income benefits, leaving aside the exceptional circumstances induced by the COVID-19 pandemic in terms of labour market conditions and temporary policy responses. Second, as the availability of administrative data comes also with delay, information was not fully available for the very latest policy years at the time the simulations were run. When the analysis is less quantitative by nature (i.e. information on the provision of services) and/or focuses on the overall Union average for which more recent data is available (i.e. overall trends in poverty), then more recent information may also be used.*

[9] Link: https://ec.europa.eu/social/main.jsp?advSearchKey=bench_fram_minincom&mode=advancedSubmit&catId=22&doc_submit=&policyArea=0&policyAreaSub=0&country=0&year=0#navItem-1

[10] Almeida V., De Poli S., Hernández A. (2022). The effectiveness of Minimum Income Schemes in the EU, JRC Working Papers on Taxation and Structural Reforms, forthcoming.

**While overall, the impact of social transfers (excluding pensions) on poverty reduction in the Union has declined since 2008[11]**, a mild convergence across Member States over time is observed. It is evident that social transfers are a key tool for addressing poverty. Improvements took place for some countries where the impact was relatively low in 2008 (Estonia, Greece and Latvia), while in some of those Member States where the indicator stood previously at a relatively high level, there has been a significant deterioration (Hungary, the Netherlands, Sweden). At the same time, upwards convergence was hindered by Member States where the indicator has worsened from an already low level (e.g. Romania).

*Figure 1: Impact of social transfers on poverty (population aged 18-64)*




*Note: EU-27 was estimated for 2008 and 2009. There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data. Source: DG EMPL computation based on Eurostat EU-SILC.*

**It also appears that the specific impact of minimum income benefits on poverty varies a lot across the Union[12].** The impact of minimum income benefits on the at-risk-of-poverty rate tends to be low (the impact is significant in Ireland, Cyprus, France and Slovenia only). This is not surprising given that the adequacy of minimum income benefits is at or below the poverty threshold in most Member States[13]. Considering the impact on the share of people below two-thirds of the poverty threshold (40% of the country-specific equivalised median income), the impact of minimum income benefits shows a large variety. While in Ireland,

[11] Joint Social Protection Committee–European Commission report on minimum income, 2022.
[12] Almeida V., De Poli S., Hernández A., Technical note on a calibrated EUROMOD baseline for assessing the effectiveness of minimum income schemes in the EU, Joint Research Centre, 2022.
[13] Country-specific results in this respect are shown in Annex 3a.

France, Cyprus, Slovenia, Germany, Belgium the impact of minimum income benefits is larger, in many other countries, it remains relatively low.

**However, the impact of minimum income benefits on the relative at-risk-of-poverty gap is generally significant, though it is very small in some Member States**. This highlights that minimum income benefits reduce the shortfall in income, as shown in Figure 2. At the same time, there is significant heterogeneity in the performance of Member States, with a few countries reducing significantly at-risk-of-poverty gap with their minimum income benefits (for instance Ireland, Cyprus, France, Slovenia, Finland), whereas others achieve only marginal or no significant reductions (for instance in Hungary, Bulgaria, Latvia, Estonia, Poland)[14].

*Figure 2: Depth of poverty measured against the poverty threshold before and after minimum income benefits (MIS)*


*Notes: Figure 2 shows relative at risk of poverty gaps before and after income support for all EU Member States, using the standard poverty criterion. This indicator measures the intensity of poverty, i.e., the mean shortfall in income from the poverty threshold, in percentage of the latter.[15] In countries where two minimum income benefits are considered in this assessment, the joint impact of both benefits is reflected in the graph. The poverty threshold is anchored to the counterfactual scenario where no minimum income benefits are in place. Source: JRC elaboration using EUROMOD.*

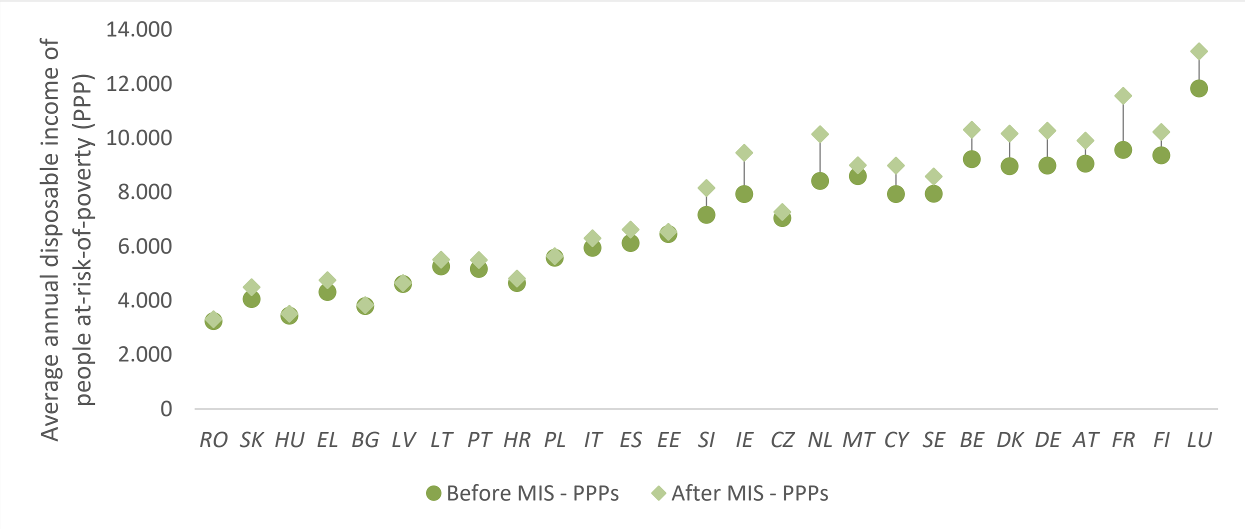
Finally, it appears that **existing designs of minimum income benefits do not contribute to the convergence of disposable incomes of the poorest citizens across the Union**. Figure 3 illustrates that the best-performing countries in terms of increasing the disposable income of their population at-risk-of-poverty are those countries where the disposable income of this population is relatively higher before minimum income benefits. This pattern can be observed when focusing on individuals with an income below two-thirds of the poverty threshold (see Annex 4), and remains significant, although to a lesser extent, for all individuals in poverty (Figure 3). The minimum income benefit provided by Ireland, the Netherlands, France and Luxembourg seem to be significantly more effective in improving the income conditions of

[14] Result using 2/3 of the standard poverty are shown in Annex 3b.

[15] Note that this measure of the poverty gap differs from the median at-risk-of-poverty gap used by EUROSTAT. For detailed methodologies, see Almeida V., De Poli S., Hernández A., Technical note on a calibrated EUROMOD baseline for assessing the effectiveness of minimum income schemes in the EU, Joint Research Centre, 2022.

their poorest citizens, whereas in Bulgaria, Latvia, Poland and Romania the impact appears very low.

*Figure 3: Disposable income of people who are at-risk-of poverty, before and after minimum income benefits (MIS)*




*Notes: Figure 3 depicts the mean annual equivalised disposable income of people at-risk-of-poverty before and after minimum income benefits are provided. Results are presented using Purchasing Power Parities (PPPs) to ease comparability across countries. The averages are calculated for all poor individuals, regardless of whether they receive minimum income benefits or not. This approach suggests that the results can be interpreted by differences across countries both in terms of the adequacy, coverage and take-up of the different minimum income benefits. In countries where two minimum income benefits are considered in this assessment, the joint impact of both is reflected in the graph. For this graph, people at-risk-of-poverty are those who are at-risk-of-poverty in absence of minimum income benefits. Source: JRC elaboration using EUROMOD and Eurostat data on PPPs (2019).*

# 3. Challenges related to the effectiveness of minimum income

The key role of minimum income is to ensure that everybody has a sufficient level of resources to ensure a life in dignity and be able to participate in the economic and social life, including the labour market. From this perspective, the effectiveness of minimum income can be assessed through the analysis of five main dimensions, which are presented in more detail in this Chapter: (i) adequacy of income support, including the regularity and timeliness of the revision of benefit levels; (ii) coverage and take-up of minimum income; (iii) the extent to which minimum income promote access to inclusive labour markets or facilitate social inclusion; (iv) effective provision of services indispensable for supporting labour market and social integration; and (v) sound governance mechanisms.

### 3.1 Challenges related to the adequacy of income support

The analysis of the adequacy of income support is based on overall income support provided, and is typically related to at-risk-of-poverty thresholds[16]. Available evidence highlights that income support is largely insufficient to protect non-working households of active age from poverty, including multiple-person households of active working age with dependents, as their net disposable income is generally below the poverty threshold[17].

**Income support is considered adequate when the level of cash benefits ensures a decent standard of living.** Adequacy needs to be assessed on the basis of all available income support that contribute to income security of minimum income beneficiaries and their households (i.e. minimum income benefits and all other monetary benefits such as child and family benefits or housing benefits). Adequate income support can be achieved - while ensuring incentives to work - by lifting all persons above the national at-risk-of-poverty threshold or allowing the purchasing of a nationally defined basket of goods and services (that need to reflect the standards of living in a given Member State). While setting structural levels of benefits it is instrumental that reference values used (such as measures linked to national at-risk-of-poverty thresholds), are calculated over a longer time period (for example, 3-year running average) to smooth potential volatilities resulting from economic cycles. Conversely, the regular updating of benefit levels could be based on other indicators reflecting the current changes in price levels and standards of living.

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[16] See e.g.: Cantillon, B., Parolin, Z. and Collado, D., 2018. Rising inequalities and welfare generosity: Structural constraints on the adequacy of minimum incomes in European and American welfare states. Working Papers 1809, Herman Deleeck Centre for Social Policy, University of Antwerp. Available at: https://ideas.repec.org/p/hdl/wpaper/1809.html; OECD (2019), "Left on your own? Social protection when labour markets are in flux", in OECD Employment Outlook 2019: The Future of Work, OECD Publishing, Paris, https://doi.org/10.1787/bfb2fb55-en; and Penne, T., Cornelis, I. and Storms, B., 2020. All we need is…. Social Indicators Research, 147(3), pp.991-1013.

[17] See e.g.: Immervoll, H. and Scarpetta, S., 2012. Activation and employment support policies in OECD countries. An overview of current approaches. *IZA Journal of Labor Policy*, *1*(1), pp.1-20; Nelson, K. (2012). Counteracting material deprivation: The role of social assistance in Europe. *Journal of European Social Policy*, *22*(2), 148-163; and Wang, J. and Van Vliet, O., 2016. Social assistance and minimum income benefits: Benefit levels, replacement rates and policies across 26 OECD countries, 1990–2009. *European Journal of Social Security*, *18*(4), pp.333-355.

***The adequacy of the overall income support provided to minimum income beneficiaries is low in about half of the Member States.***

**The adequacy of income support has been eroding in almost all Member States over the recent years[18].** For the latest available income years (2017-2019), the adequacy of income support was stable overall in the Union (measured against the at-risk-of-poverty threshold), but it slightly eroded if measured against the income of a low-wage earner[19]. This reflects an erosion of adequacy in most Member States and an increase in only two Member States (with a very significant increase in Italy), highlighting that the income of minimum income beneficiaries was generally lagging behind overall income developments that took place in the recovery before the COVID-19 crisis.

**The income of a minimum income beneficiary (living in a single adult household) lies generally at a level between 20% and 100% of the poverty threshold.** The minimum income benchmarking framework[20] analyses the adequacy of benefits based on the total net disposable incomes received by minimum income recipient's households. Net disposable income is then compared to the national poverty threshold (as an indication of the income poverty alleviation effect) and with the income of a low-wage earner[21] (also providing an indication of the monetary incentives to work for beneficiaries). Results regarding both aspects of adequacy are shown in Figure 4[22]. The adequacy was the highest in the Netherlands, Ireland and Italy, where the level of benefits of single-adult households in 2019 exceeded or was very close to 90%-100% of the national poverty threshold level. At the lower end of the adequacy scale, the minimum income in Romania, Bulgaria, and Hungary was around or below 20% of the poverty threshold. In terms of linking adequacy to wage levels, it appears that the income support provided to single adult households is below 80% of the net income of a low wage earner in all Member States, which guarantees that monetary disincentives to work are not in place.

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[18] Joint Social Protection Committee–European Commission report on minimum income, 2022.

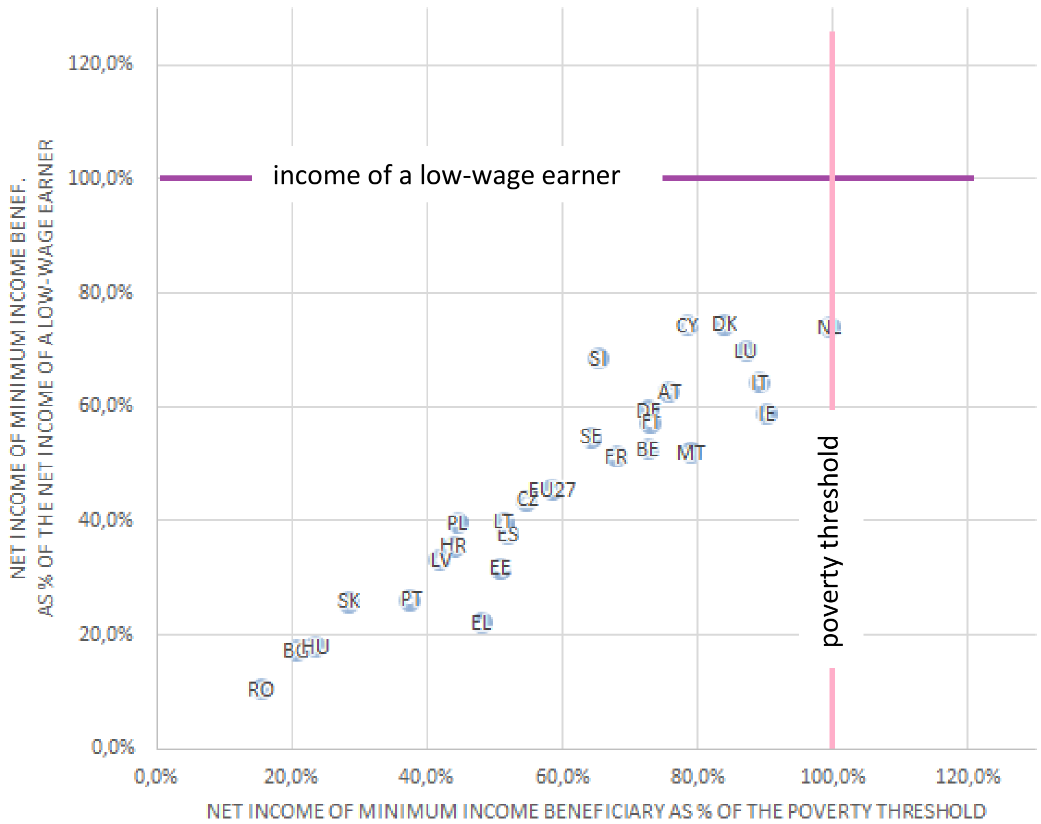
[19] Low-wage earner is defined as a person earning 50% average wage (30% average wage corresponding to a person working part time).

[20] In 2018, the Social Protection Committee agreed to assess the adequacy of minimum income benefits based on a benchmarking framework. https://ec.europa.eu/social/main.jsp?advSearchKey=bench_fram_minincom&mode=advancedSubmit&catId=22&doc_submit=&policyArea=0&policyAreaSub=0&country=0&year=0#navItem-1

[21] Low-wage earner is defined as a person earning 50% average wage (30% average wage corresponding to a person working part time). Estimates of the level of low wages as a share of average wages from the Structure Earnings Survey (SES) which is produced every four years, covering firms with more than 10 employees, show that for full time employment it appears that the level of wages at the first decile is ranging between 40-60% AW. In addition, for countries with a statutory minimum wage, estimates of the level of minimum wages as a share of average wages (for full time employment) are produced by Eurostat and range from around 35% to around 50% AW. Moreover, a reference to low wage defined as 2/3 of the median can be derived from the fact that generally the median wage represents around 80% of the average, which corresponds then to close to 50% of the average (53%).

[22] Joint Social Protection Committee–European Commission report on minimum income, 2022.

*Figure 4 – Net income of minimum income recipients (single adult) as % of the at-risk-of-poverty threshold and of the income of a low wage earner (2019)*




*Source: Joint SPC-Commission minimum income report. Note: EU27 computed as a simple average. Data for IT is for income year 2020 (instead of 2019). For DE, there is a break in the SILC2018-2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for the income year 2019. Housing costs are assumed to be of 11% of average wage. Source: DG EMPL elaboration using data from Eurostat and OECD tax-ben.*

**With existing levels of income support, the income of a minimum wage earner is also higher in all Member States than that of a (single adult) minimum income beneficiary thus ensuring incentives to work.** The net income of a minimum income beneficiary as a share of the net income of a minimum wage earner ranges between 10% in Romania to 80% in the Netherlands. These results, together with similar results related to low wages shown above, illustrate that the indicator of the net income of a low wage earner is a relatively good proxy for reflecting upon the incentives to work with relation to minimum wage levels.[23]

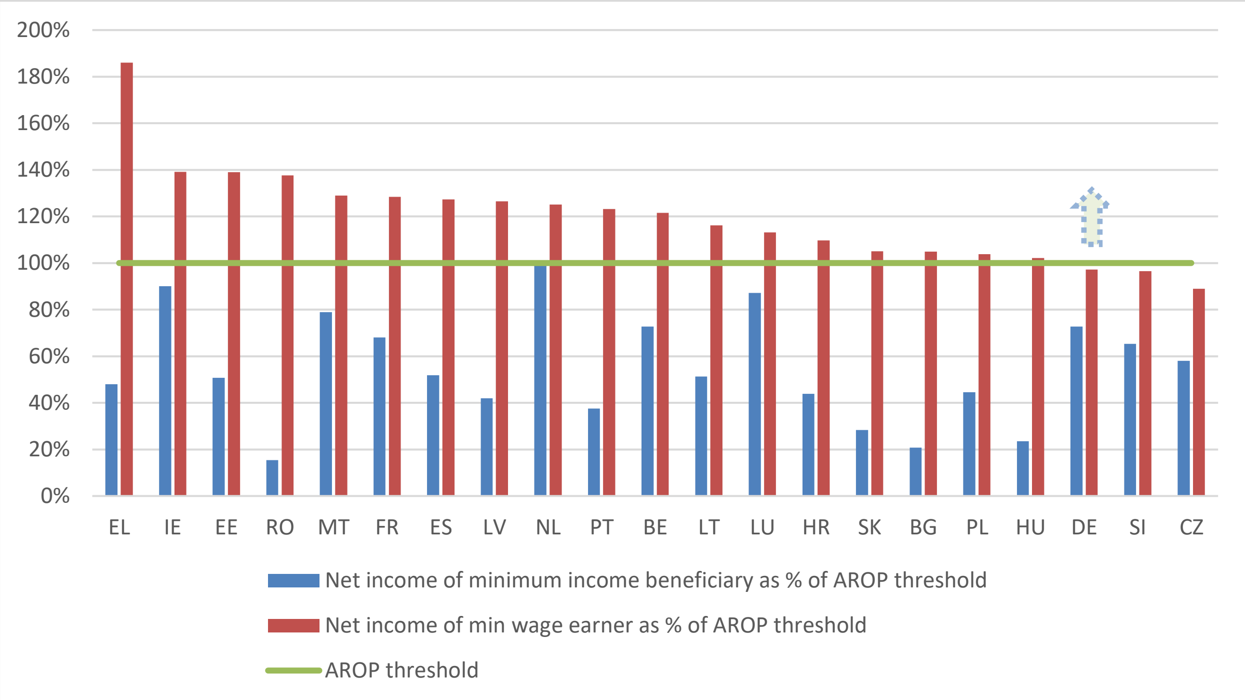
**Furthermore, it appears that in most Member States incentives to work for minimum income beneficiaries would also be maintained with higher levels of income support**, as the net income of a minimum wage earner (single adult) is at or higher than the poverty threshold in most Member States with a statutory minimum wage[24] (in 2019)[25]. The net

[23] In addition the comparison to the income of a low wage earner allows a more consistent approach that is independent of the relative level of minimum wages in the various Member States relative to overall wages.

[24] Analysis is based on the Directorate-General Employment, Social Affairs and Inclusion calculations using data from OECD tax-benefit model. The income year 2019 is used to align the income year with related findings from the Joint Social Protection Committee-European Commission report on minimum income.

income of a minimum wage earner seems to fall marginally below the poverty threshold in only three Member States (Czechia, Slovenia and Germany), which also highlights inadequate levels of the minimum wage in these Member States. From the countries where the net income of a minimum wage earner is below the poverty threshold, Germany has just passed legislation on increasing Germany's minimum wage to 12 euros per hour from October 1, 2022, which will bring the net minimum wage above the poverty threshold. In the remaining two countries, these results suggest that their minimum wages are not adequate and the tax-benefit systems do not seem to support minimum wage earners sufficiently to ensure that work pays. As also emphasized in the Impact Assessment accompanying the proposal for a Directive on adequate minimum wages in the European Union[26], a low adequacy of minimum wages entails the risk that work does not pay. In particular, adequate minimum wages and tax incentives for low-wage earners are complementary policies to maintain high employment and support the income of low-wage workers.

*Figure 5: Net income of minimum income beneficiary and net income of minimum wage earner as % the poverty threshold, single earner (2019)*




*Note: For DE, there is a break in the SILC 2018-2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for the income year 2019. Housing costs are assumed to be of 11% of average wage. Only MS are shown where there is a statutory minimum wage in place. Source: own computation on Eurostat data and OECD data. DE result is temporary due to the announced policy change from October 2022.*

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[25] Note that minimum wages were raised cautiously in most Member States from 2020 to 2021, with the median country recording an increase of 3% (Eurofound (2021), *Minimum wages in 2021: Annual review*, Minimum wages in the EU series, Publications Office of the European Union, Luxembourg).

[26] Commission Staff Working Document, Impact Assessment accompanying the proposal for a Directive of the European Parliament and of the Council on adequate minimum wages in the European Union {COM(2020) 682 final} - {SEC(2020) 362 final} - {SWD(2020) 246 final}.

**The level of income support is generally more adequate when other household types[27] are considered than single adult households.** The adequacy of the income of minimum income beneficiaries is generally slightly more favourable when considering different household types than single adult households (as outlined by the benchmarking framework on minimum income).[28] For example, the level of minimum income support is around 15-20 percentage points higher on average in the Union for single parent households and around 5-10 percentage points higher for couples with two children. However, in all household types observed, the income of households benefiting of minimum income remains generally well below the poverty threshold (see charts in Annex 8 and 9).

**While with current levels of benefits monetary incentives to work are generally ensured in all Member States, the extent to which this might hold with income support at the level of the poverty threshold also depends on the work intensity of the household and the number of dependent children.** Overall, the level of work intensity and wage levels that allow to reach the poverty threshold depends on household types and Member States. All things being equal, the adequacy of household income, in equivalised terms, tends to increase with the work intensity of the household and tends to decrease with the number of dependent children in the household. For instance, the net income of households with two low-wage (or minimum wage) earner adults and two dependent children is above the poverty threshold in all Member States. This means that two earner households with two children are in principle not at risk of poverty when both parents are working full time. Still, this may not always be the case for lower work intensity households. For instance, the income of a couple with two children where only one adult is at work on a low wage or a minimum wage is lower than the poverty threshold in around half of the Member States (Figure 6 below)[29].

**The link between poverty risk and work intensity is further reflected by the general pattern that, on average, in-work poverty increases as the work intensity of the household decreases.** In-work poverty ranges from 5% for high work intensity households to around 20-25% for medium work intensity households and around 40% for low work intensity households. This highlights the need for further reforms in some Member States' tax-benefit systems to ensure that work pays, either relating to the design of tapering of minimum income (or other benefits including in-work benefits) with higher income from work, or also in some instances in relation to the level of the minimum wages (see Chapter 3.3 for further details).

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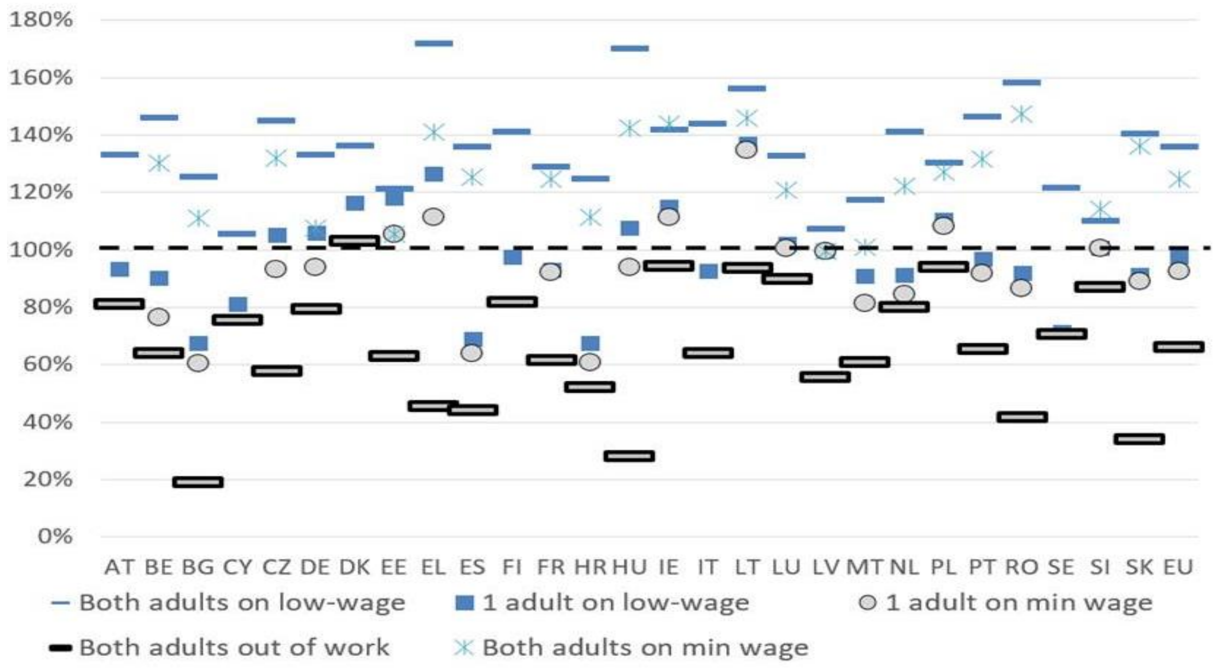
[27] Adequacy of larger household is measured based on equivalised income using OECD's equivalence scales.
[28] Joint Social Protection Committee-European Commission report on minimum income, 2022.
[29] The income year 2019 is analysed to align methodology with the benchmarking framework on minimum income and the Joint Social Protection Committee–European Commission report on minimum income, 2022.

*Figure 6 – Net income of minimum income recipients (two adult household with 2 children) as % of the poverty threshold (2019) depending on work intensity and wage levels*




*Source: Data for IT is for income year 2020 (instead of 2019). For DE, there is a break in the SILC2018-2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for the income year 2019. Housing costs are assumed to be of 19% of average wage. Source: DG EMPL elaboration using data from Eurostat and OECD tax-ben. The dotted line is the poverty threshold.*

While it is key to ensure that work pays, it should be underlined that **transition rates to employment of minimum income beneficiaries appear to equally depend on other factors than the potential income gain from work.** Research[30] has shown that the likelihood of entering employment increases with the availability of active labour market programmes, including job counselling, social assistance services and enabling services, such as childcare, as well as by preferable macroeconomic circumstances. Other personal factors that play a role include age and educational attainment. On the other hand, the likelihood to take up employment is lower for people with health limitations and for adults in households with many dependent children. While once all these other factors are taken into consideration, the expected net income gain from work does not, on average, seem to have a significant impact on the probability to take up a job (for minimum income beneficiaries), there are specific recipient groups and situations where this impact can be significant.

***There is a high dispersion in the nominal values of minimum income benefits across Member States.***

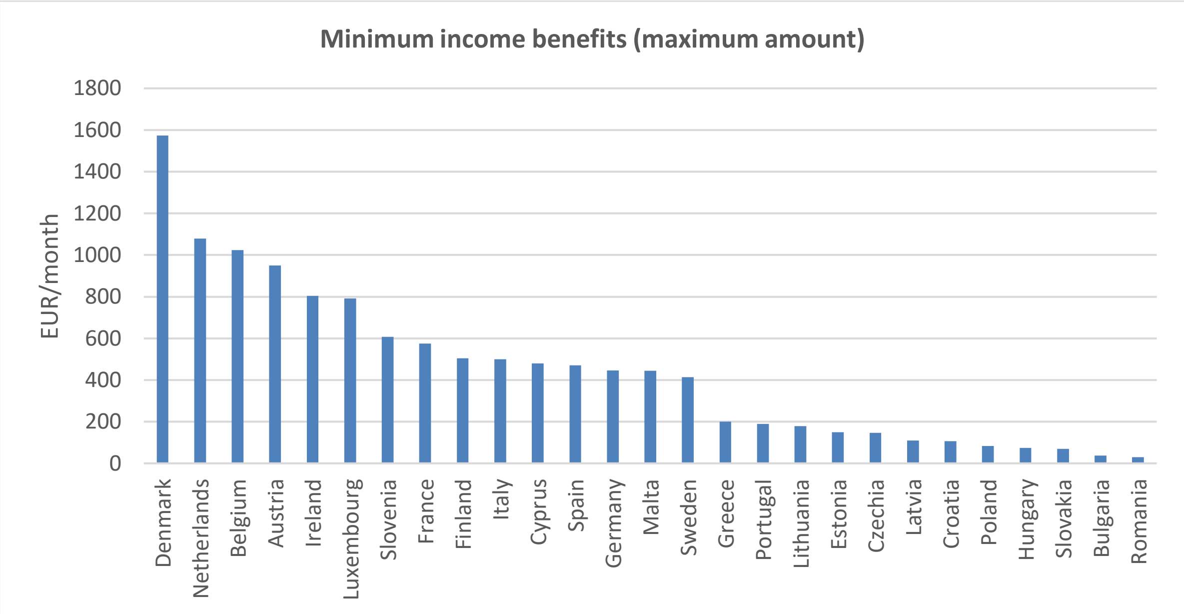
Looking at the nominal values of minimum income benefits in each Member State, it appears that the nominal value of the minimum income benefit is more than **50-fold** between the worst performing Member State (Romania for a single adult household and Poland for a

[30] Study about the Methodology to Measure the Returns on Investment from Integrated Social Assistance Schemes Final report VC2018-0711, prepared by Ecorys / Budapest Institute in August 2020.

couple with one child) and the best performing Member State (Denmark). It must be noted that comparison of Figures 7a and 7b below should be taken with a caveat due to slight time lag between the data used in 7a (which shows benefit levels based on most recent information from Country fiches[31]) while 7b is based on SILC 2019 Eurostat data.

When relating the values of minimum income benefits with the at-risk-of-poverty threshold, it appears that **only in Denmark the level of the minimum income benefit reaches the poverty threshold**. In other three cases (the Netherlands, Belgium and Slovenia), the benefit level seems to reach about 70-80% of the poverty threshold. Furthermore, while benefit levels are around half of the poverty threshold in many Member States, the Eastern and some Southern European countries as well as the Baltic states seem to provide minimum income benefits in the amount that is less than 50% of the poverty threshold (for single adult households with no children).

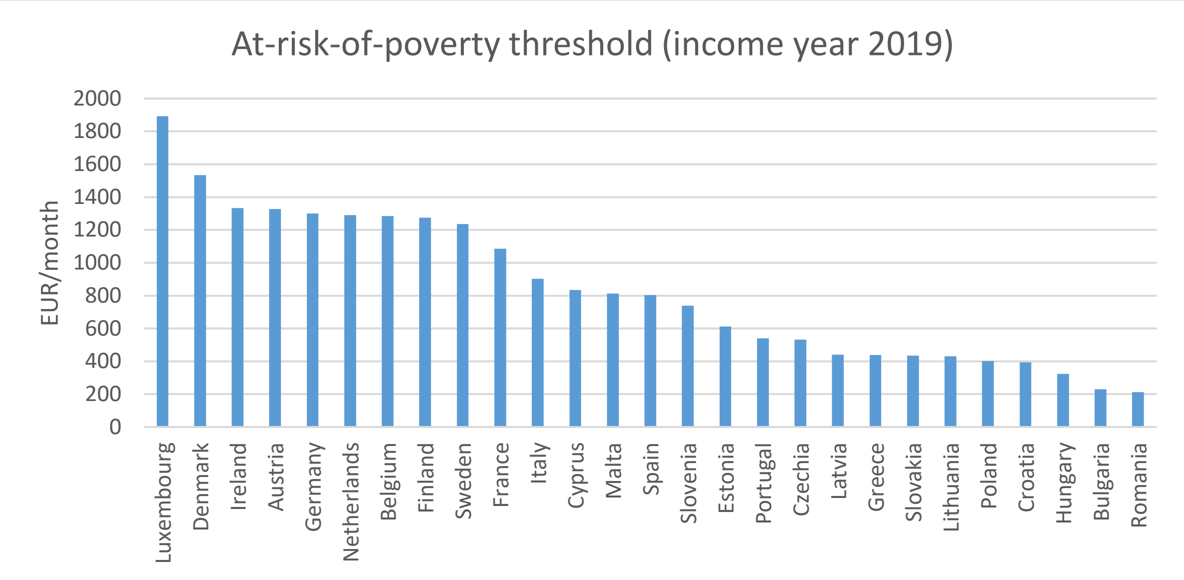
*Figure 7a: Nominal monthly level of minimum income benefit(s), single adult households, (EUR)*




*Source: Country fiches on minimum income published by SPC 2022 and Eurostat, DG EMPL elaboration; Notes: HR benefit based on a single person capable of work; DK based on a single person over 30 years of age; LT based on the benefit provided in the first six months; NL benefit calculated for a single person between 21 years and retirement age; PL benefit corresponds to the minimum the social assistance office is obliged to grant; BE the value for the integration income (revenu d'intégration sociale – RIS) is used.*

[31] Country fiches on minimum income – Joint report of the Social Protection Committee and Commission on minimum income, 2022

*Figure 7b: Nominal monthly level of at-risk-of-poverty threshold (EUR), single adult households*




Adequacy is discussed above for the total income support, taking into consideration all monetary benefits, but excluding in-kind benefits. This is done so because it is difficult to calculate the monetary value of such in-kind benefits available to minimum income beneficiaries as they depend on individual costs, take-up, and they might include the provision of services for which cost calculations are not available. Data on the value of in-kind benefits remains limited and is not available for cross-country comparisons.[32] Therefore, the analysis included in this Staff Working Document on the adequacy of income support and minimum income benefits does not take into consideration the monetary value of in-kind benefits. While the provision of in-kind benefits remains important to contextualize the assessment of adequacy, the proposal aims at achieving adequate levels of income support only.

***Adequacy of income support could be based also on a reference budget.***

**Reference budgets are illustrative priced baskets of goods and services that represent an acceptable standard of living for a hypothetical household within a given Member State.** It can be designed in various ways, taking into account household composition, disposable income, and other aspects such as housing or transport needs. Absolute needs-based measurement of poverty is rarely used in a cross-country comparable manner, as reference budgets are created independently from one another, using different methods (to allow reflecting the specificities of Member States) and results that are not comparable across countries.

According to the findings of a pilot project on reference budgets[33], such methodologies have been developed in most of the Member States in the past but with various purposes and use.

[32] Neither does the information provided by the Member States in MISSOC nor in the OECD country fiches offer sufficient detail on the design of services that minimum income beneficiaries can access (aside from those linked to activation).

[33] Goedemé, T., Storms, B., Penne, T. and Van den Bosch, K. (eds.) (2015), The development of a methodology for comparable reference budgets in Europe – Final report of the pilot project, Brussels: European Commission.

They can serve as a benchmark upon which the adequacy of social benefits (or eventually a given national poverty threshold) can be assessed. By doing so, Member States could contextualise the poverty threshold to the specificities of their country including living conditions of different household types. Most of them are based on country-level data, while some have a local geographical focus and use their capital city or another large city as a point of reference. Almost all are constructed for one or more model families, most frequently, couples with children of various ages and single people, with specific assumptions made about the health and living environment of those concerned. While it is clear that these methodologies require regular adjustment and updating, it seems that the frequency with which these are performed and the methods used differ greatly across Member States. Among those where such methodology exist for various purposes, approximately half of them are adjusted in line with price changes as measured by the Consumer Price Index[34] (CPI).

Building up reference budgets requires agreements on a set of assumptions and methodologies, including decisions on some normative considerations. The methodological approaches to constructing reference budgets vary across national practices: while some of them define living standards in terms of a 'minimum living standard for full social participation', others use more limited standards of living concepts, closer to 'minimum subsistence'. A key challenge in modelling absolute poverty across countries consists in finding the right balance between the requirements of cross-country comparability and local validity, and to account for the country-specific definition of minimum needs expressed by reference budgets. A recent[35] JRC project explores the technical, methodological, and data requirements of developing a cross-country comparable absolute poverty measure for Union-wide use.[36] It highlights the complexity of such exercises and that they require a complex underlying analysis and a set of assumptions.

**Currently[37], eight Member States – one way or another - use the value of a basket of essential goods and services to assess or determine the level of the benefit to be provided as part of their minimum income schemes:** Cyprus, Estonia, Germany, Lithuania, Luxembourg, Poland, Slovenia, and Sweden.

Luxembourg recently reformed its minimum income system with a view to ensure basic means of subsistence for its recipients. It is determined in relation to the essential items and corresponding amounts of the reference budget calculated by the Statistical Institute of Luxembourg. This reference budget is defined as a priced basket of goods and services that

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[34] Storms, B., Goedemé, T., Van den Bosch, K., Penne, T., Schuerman, N. and Stockman, S. (2014), Review of current state of play on reference budget practices at national, regional, and local level, Brussels: European Commission.
[35] Published report: Menyhért, B., Cseres-Gergely, Zs., Kvedaras, V., Mina, B., Pericoli, F., Zec, S. Measuring and monitoring absolute poverty (ABSPO) – Final Report, EUR 30924 EN, Publications Office of the European Union, Luxembourg, 2021, ISBN 978-92-76-45227-0, doi:10.2760/787821, JRC127444.
[36] For the implementation of the project, three main input sources were used: cross-country comparable reference budgets produced by previous literature, the applied methodology of the Italian Statistics Office (ISTAT) for the measurement of absolute poverty in Italy, and the theoretical literature on the statistical measurement of poverty in developing countries based on household budget survey data.
[37] Additional information on national practices is available in the Joint Social Protection Committee–European Commission report on minimum income, in particularly its annex presenting country fiches.

ensures a decent standard of living in society[38]. While the law establishing the benefit has no explicit mention of the reference budget, the indexation of the minimum income benefit is made according to the evolution of consumer prices in the reference budget. In Lithuania, the threshold for the income test is defined annually based on the state supported income (SSI), which is linked to minimum consumption needs (MCN). The calculation of the MCN is based on national statistical data on household expenditure and on minimum food requirements. The amount of social assistance is indexed to the MCN, which in turn is indexed to price changes and in principle updated annually. In Cyprus, the guaranteed minimum income scheme was introduced in 2014[39]. The level of the basic amount was calculated using reference budget methodology, depending on the size and age structure of the recipient household. The monthly amounts can be adjusted every two years, after taking into account the actual prices of items included in the reference budgets.

***Member States' expenditure on minimum income benefits varies to a large degree.***

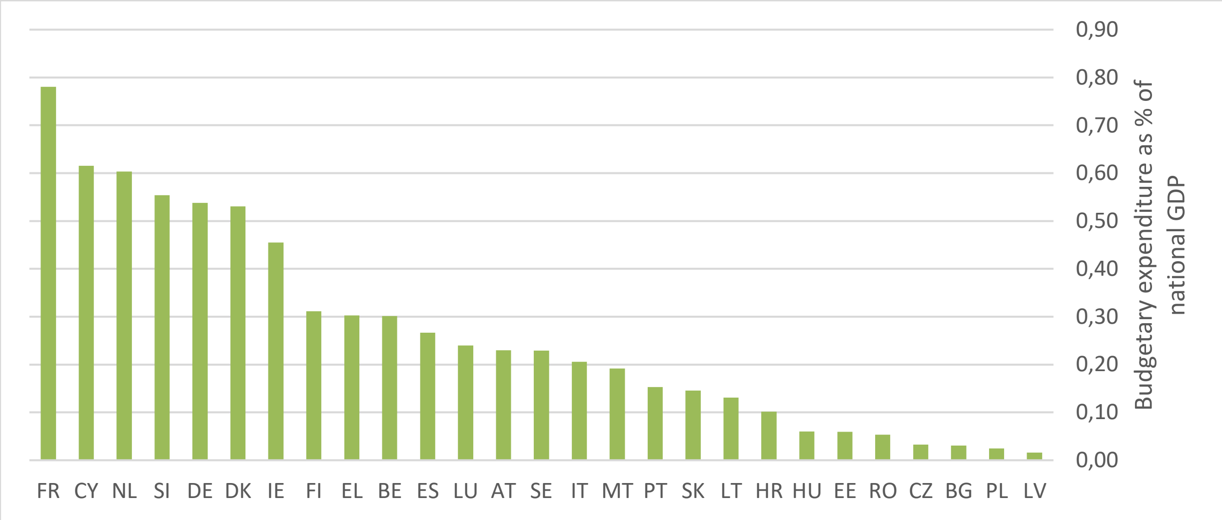
A contextual indicator on adequacy derives from the budgetary expenditure that is spent on minimum income benefits in each Member State and in the Union overall. The ranking of Member States in this respect is similar to their performance in terms of the adequacy of minimum income benefits.

Eurostat reports that overall in 2019, the total expenditure on social protection benefits in the Union amounted to EUR 3 761 billion, which was equivalent to 26.9 % of the Union GDP. An analysis by function reveals that the highest levels of expenditure in the Union were recorded for the old age and survivors function (largely composed of pensions), which accounted for close to half (46.3 %) of the total expenditure on social protection benefits in 2019. The next highest share, accounting for almost three tenths (29.5 %) of the Union's expenditure on social protection benefits, was for the sickness/health care function, while each of the remaining four functions accounted for single-digit shares. Among these, the highest proportion was recorded for the family/children function (8.4 % of total expenditure on social protection benefits), followed by disability (7.6 %), unemployment (4.5 %) and housing and social exclusion (3.7 %).[40]

Regarding expenditure on minimum income benefits, the JRC estimates that Member States together spend about 0.42 % of the yearly GDP of the Union. In absolute value, this was equal to approximately EUR 59.3 billion in 2019.

[38] Link to data:https://statistiques.public.lu/en/methodology/methodes/social-conditions/Cond-vie/reference-budgets/index.html.
[39] The adoption of the GMI was linked to the 'Memorandum of Understanding' under the economic adjustment programme for Cyprus.
[40] Eurostat link: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Social_protection_statistics_-_social_benefits#Means-tested_benefits.

*Figure 8: Expenditure on minimum income benefits (% of GDP)*




Note: In countries where two minimum income benefits are considered in this assessment, the joint impact of both is reflected in the graph. Source: JRC elaboration using EUROMOD and Eurostat data on GDP (2019).

**As Figure 8 illustrates, national expenditure on minimum income benefits varies significantly across Member States, from 0.02% of GDP in Latvia to 0.78% of GDP in France.** In the six countries with the highest expenditure on minimum income benefits (France, Cyprus, the Netherlands, Slovenia, Germany and Denmark), the expenditure on minimum income benefits amounts to at least 0.5% of their respective GDPs. At the other end of the scale stands Latvia, Poland, Bulgaria, Czechia, Romania, Estonia and Hungary, where the budgetary expenditure on minimum income benefits is equal or less than **0.06% of their respective GDPs**.

***National mechanisms for setting and indexing the level of minimum income benefit(s) show shortcomings.***

While the majority of Member States have some mechanisms for establishing and adjusting the level of benefits in place, mechanisms in place differ across Member States in terms of parameters and the frequency of adjustments. In a few Member States no dedicated mechanism is applied and the level of benefits is set or adjusted on a subjective or arbitrary basis. Currently eight Member States use the calculation of the value of a basket of essential goods and services as a reference value for the level of benefits to be provided[41]. Some Member States use wages or income levels as reference parameters, others use pensions or pension index as reference.

**Ten Member States have automatic indexation systems that adjust the amount of the minimum income benefits on a regular basis to account for changes in the costs of living.** Most of these automatic indexation systems are based on the inflation rate/variation of the consumer price index (CPI), as is the case in Belgium, France, Slovenia[42] and Romania as

[41] Joint Social Protection Committee-European Commission report on minimum income, 2022.
[42] In Slovenia the minimum costs of living is estimated every six years. If the newly determined level of short-term minimum costs of living is 15% (or more) higher than that the existing index, a new must be set.

of 2022, while other less common parameters used for indexation are wages (used in Slovakia, Denmark, Netherlands). Germany implements an indexation system based on a weighted index including both prices and wages. Overall, the automatic indexation systems operate annually, with the exception of the Netherlands where minimum income benefits are updated twice a year. In Luxembourg a raise of the minimum income benefits is triggered when the CPI varies by 2.5% in relation to the figure triggering the previous adjustment. In Sweden, the adjustment is based on movements in consumer prices and living costs.

As the academic literature highlights[43], Member States that implement indexation mechanisms to protect minimum income recipients against inflation perform better in terms of adequacy compared to Member States who do not implement statutory indexation mechanisms, especially prior to the economic downturn beginning in 2007. However, these mechanisms are still insufficient in bridging the gap between minimum income recipients' disposable income, on the one hand, and prevailing poverty thresholds and living standards, on the other. Even in Member States that tie their indexation to the average wage (which could be considered as a form of indexation leading to higher adequacy), the benefits were not in line with living standards. Overall, academic studies have found that even though benefit levels have increased across Member States in real terms, there is a decline in the benefit levels relative to living standards for minimum income beneficiaries[44].

***Regular indexation of minimum income benefits based on predefined indicators is important to avoid further erosion of the adequacy of benefits.***

**Sound and transparent methodology for adjusting income support at regular intervals**, informed by relevant indicators, and reviews of incentives and disincentives resulting from tax and benefit systems are necessary to keep the benefits in line with inflation and the cost of living. Member States also vary widely in the regularity with which they revise benefit levels and the criteria used.

In the majority of the Member States, the levels of minimum income benefits are revised periodically or ad hoc to ensure that the level of benefits reflect the changes in the cost of living. The frequency of reviews and the mechanisms in place, including the parameters used for the revision, differ substantially across Member States.

Periodical revisions are either applied on an annual basis as part of the state budget preparation or other less frequent political activities. The revisions are linked to different parameters across Member States and the mechanisms are not automatically applied, which results in varying levels of benefits. Estonia, Cyprus, Lithuania and Poland use the same basket of goods and services as used to establish the level of the benefits. Spain, Hungary and Austria use pensions or pension index (Finland) as reference. Some Member States use wages

[43] Mechelen, Natascha Van, and Sarah Marchal. "Struggle for life: Social assistance benefits, 1992–2009." *Minimum income protection in flux*. Palgrave Macmillan, London, 2013. 28-53.

[44] Nelson, K. (2012). Counteracting material deprivation: The role of social assistance in Europe. *Journal of European Social Policy*, *22*(2), 148-163; and Mechelen, Natascha Van, and Sarah Marchal. "Struggle for life: Social assistance benefits, 1992–2009." *Minimum income protection in flux*. Palgrave Macmillan, London, 2013. 28-53.

or income levels as reference parameters. The inflation rate/CPI is also a common parameter, as adopted in Cyprus (every 2 years) and Czechia (the benefits can be revised if the growth of the CPI for sustenance and personal needs exceeds 5 %). In Slovenia the minimum costs of living is estimated every six years. In Sweden, the government updates the national scale rates yearly, based on movements in consumer prices and calculations of reasonable living costs published by the Swedish Consumer Agency, but ad hoc adjustments may also occur for other reasons, for example to align benefits to movements in living standards in society as a whole, also made in close correspondence with the calculations of reasonable living costs.

In a few cases, the adjustment of the level of minimum income benefits depends on political cycles and priorities, and availability of resources. In Bulgaria, updates follow political cycles, as the general minimum income is fixed by the government, based on available budgetary resources. In Greece, the regularity of reviews is not stipulated by the law, while in Hungary the amount of the benefit has remained virtually unchanged since 2008. In Italy, the amounts have not been reviewed since the introduction of the citizenship income in 2019. Similarly, the level of Portugal's social insertion income was last updated in 2019. In some other countries, revisions to the minimum income level occur sporadically, such as the 2012 and 2020 revisions in Czechia or the 2014 revision in Croatia.

***Adequacy of income support may be decreasing in real terms with increasing energy, food and housing prices.***

**After decades of price stability, the Union has been experiencing steeply increasing consumer prices from early 2021 onwards.** Most recent Eurostat figures indicate that, as of March 2022, headline annual HICP inflation in the Union has reached 7.8%[45]. This level is much higher than former inflation levels and is similar – from a quantitative point of view – to the inflationary episodes of the 1970s (in EU-15 countries) and 1990s (in many Central and Eastern Europe countries) that were the source of considerable social distress. Much of the current inflation is driven by increasing energy prices: these latter have risen by 40.2% at the Union level between March 2021 and March 2022, and are fueled additionally by the Russian unjustified war in Ukraine and its collateral effects. Food represents another product category that exhibits a strongly increasing price trend (6.7% annual increase), while the costs of non-energy industrial goods (3.9%) and services (3.3%) have remained comparatively stable so far.

**These trends are likely to disproportionately affect vulnerable consumers,** lower income households and minimum income beneficiaries as the share of energy and food consumption in their overall incomes is generally higher than for the average population. The actual impact on the income of minimum income beneficiaries will very much depend on the indexation features and on additional support that will be made available to the beneficiaries.

***Income support might not be adequately distributed among household members, as the right to claim benefits is often limited to the head of the household.***

[45] HICP - annual data (average index and rate of change) [PRC_HICP_AIND].

**Solutions facilitating the receipt of income support by individual members of the household can contribute to economic independence and income security of women and young adults.** In certain Member States, the right to benefit receipt is an individual right (Belgium, the Netherlands, Denmark and Austria), while in some others the receipt of the benefit by individuals in the household is possible (but the eligibility remains to be determined at the household level). In Belgium, the right to social integration is an individual right, each cohabiting person can claim this right. When there is at least one minor child in the household, the benefit is adjusted by the dependent family rate and each spouse is paid half in their own right. In Cyprus, the spouse or an adult child under the age of 28[46] could receive separately a proportion of the total benefit. In Denmark, social assistance is provided to an individual and not to a household, though the benefit level is affected by the income of the spouse. In the Netherlands, benefits are granted to individuals, and while the level of the benefit is adjusted to the living situation/family status, the income and assets of other adult members of the household do not affect it. In Finland, in certain situations, social assistance can also be paid separately to cover individual expenses. In Ireland, the minimum income provisions are paid to individual claimants, while in case of couples they are based on a joint income assessment. In Malta, couples who have custody of children can be paid separately and the parent having the care and custody of the children will benefit from a higher weekly payment. In Sweden, social assistance may in exceptional cases be paid to children – for example, where there is domestic violence or sexual assault in the household. In Austria, household members over 18 years of age are entitled to apply for benefits for themselves.

### 3.2 Challenges related to the coverage and take-up of minimum income

Minimum income benefits are provided on the basis of administrative criteria and means testing. Member States typically use several main eligibility criteria for their minimum income benefits, with the most frequent combination being means-tested income, age, residency, receipt of/eligibility for other benefits, and employment activation.

***Gaps in the coverage by monetary benefits of people at-risk-of-poverty remain significant.***

**In the Union, around 34% of the working age population (18 – 64 years) at-risk-of-poverty is not covered by any social benefits**[47] (including minimum income benefits and also other types of social benefits such as housing, child benefits and others). The coverage rate (benefit recipient rate) of social benefits among those who are at-risk-of-poverty ranges across Member States, from below 50% in Spain and Croatia to approximately 90% in Denmark, Finland, France and Ireland. This means that in the worst performing Member States, around 50% of people at risk-of-poverty do not receive any monetary social benefits.

**Around 20% of those who are at-risk-of-poverty and live in quasi–jobless households (in the age group of 18 – 64) do not receive any monetary benefits[48].** Although this share

[46] In Cyprus, the age limit is 28 for eligibility of minimum income.
[47] Benefit recipient rate (minimum income benchmarking by the Social Protection Committee): https://ec.europa.eu/social/main.jsp?advSearchKey=bench_fram_minincom&mode=advancedSubmit&catId=22&doc_submit=&policyArea=0&policyAreaSub=0&country=0&year=0#navItem-1 .
[48] All data included in this paragraph is sourced from the Joint Social Protection Committee-European Commission report on minimum income, 2022.

is lower than among those who are at-risk-of-poverty, it suggests that minimum income support does not reach a significant proportion of those who are in the most vulnerable situations. Since 2015, the coverage rate of social benefits among those who are at-risk-of-poverty and live in quasi-jobless households has gradually increased, but heterogeneity across Member States in this respect remained high. Coverage remained below 60% in Romania and Croatia, while it has reached 95% in Ireland, Finland, France and Denmark. This highlights that in some Member States, close to 40% of people at-risk-of-poverty and living in quasi-jobless households are not covered by any monetary benefit. Due to the recent introduction of national level minimum income in Greece, Italy and Cyprus, it should be noted that this share has potentially improved further since 2019 in some of these countries[49].

**The coverage of those who are at risk of poverty[50] by minimum income benefits[51] appears even more heterogeneous across Member States, varying from 2% to 63%**. Overall, most national schemes fail to cover most of their population at-risk-of-poverty through minimum income benefits, with only four countries reaching coverage rates above 50%. Countries showing the highest coverage by minimum income benefits of their population at-risk-of-poverty are France, Cyprus, Ireland, Slovenia and Finland, whereas the lowest coverage is observed in Poland, Estonia, Bulgaria and Latvia. In the worst performing countries, up to 90% of people at-risk-of-poverty do not receive minimum income benefits.

**Imperfect targeting of minimum income benefits might be indicated by two different outcomes in terms of coverage.** On one hand, not all people at-risk-of-poverty and in quasi-jobless households are covered by monetary benefits. Sometimes this relates to conscious policy choices, sometimes it reflects undesirable side-effects of difficulties in accessing minimum income. On the other hand, in some cases (for example in Cyprus, Ireland and Finland)[52], minimum income benefits might reach a group of people who are not at-risk-of-poverty. This could reflect some imperfect targeting of benefits, but it could as well be legitimate in some cases, e.g. if the adequacy of benefits is close to the poverty threshold and/or that there are rules in place allowing for a gradual tapering of benefits when people take up a job.

**The extent to which minimum income benefits are complemented by other monetary benefits (including by housing benefits, child benefits and other complementary benefits) varies to a great degree across Member States.** One cluster of countries might be characterised by very low coverage of minimum income benefits but relatively higher coverage of other benefits (for example, Malta and the Baltic states); while another cluster might be characterised by relatively high coverage of both (for example Finland, Ireland, France). For more details see Annex 5.

**Additional in-kind benefits and services might be provided to minimum income beneficiaries, depending on the design of national social protection systems.** These, among others, might include social housing, energy supplements (such as temporary

[49] It has also improved in Spain, though the indicator does not fully reflect the impact of the recent reforms.
[50] Almeida V., De Poli S., Hernández A., Technical note on a calibrated EUROMOD baseline for assessing the effectiveness of minimum income schemes in the EU, Joint Research Centre, 2022.
[51] As listed in Annex 1.
[52] For more details on each MS, see Annex 6.

exemption from electricity price surcharge or heating checks), improving energy efficiency of housing, contributions to out of pocket payments and vouchers for healthcare, public transport (e.g. travel to school), food, free school meals or childcare (see Chapter 3.4. for more details). Among such in-kind benefits and services, the most common ones are the various housing benefits. Some are targeted at persons with low income regardless of whether they are minimum income beneficiaries, while in other Member States, specific housing allowances are available for minimum income scheme beneficiaries/households. In a few countries, housing schemes are set up at local level following criteria of eligibility that are more discretionary.

***A long duration of the application process might reduce coverage.***

**The time needed to process the application provides an indication on how fast potential applicants can access minimum income.** In seventeen Member States, a decision on applicants' eligibility for the minimum income benefits is assessed within 30 days from its submission. Examples for very short waiting time highlight that the administrative procedure can facilitate rapid access to benefits, such as within five working days in Estonia, 5-7 days in Finland, 10 days in Ireland and in general less than two weeks in Sweden. However, longer waiting times might discourage people from applying for benefits and in five countries (Austria, Hungary, the Netherlands, Slovenia, Spain) the maximum legal waiting period for a decision is longer than one month. In five other countries, the information on the length of the procedure is either not readily available or appears to be non-regulated (Croatia, Portugal, Cyprus), or it may vary due to local provision of the benefits (Germany, France).

***Some of the eligibility criteria based on income are likely to exclude groups of people at-risk-of-poverty from minimum income benefits.***

**Means testing conditions have a direct impact on the coverage by minimum income benefits**. Means testing assess resources (be it income, assets, real estate or movable property) of all household members. Typically, the income threshold varies based on household size and whether household members are adults or children[53]. The underlying assumption is that multi-person households share their resources and costs (e.g. housing space, heating bills) equally between members. When earned incomes (or other benefits) increase, the additional income of the person/household is (partly) in principle deducted from the maximum amount due. Another important aspect of means testing relates to the type of incomes which are taken into account– the more incomes are excluded from the means testing, the more likely it is that the adequacy improves and thus the coverage of the scheme increases.

**Countries may disregard a certain amount/share of income from employment when minimum income beneficiaries work, to support their transition to the labour market**. Countries where such disregards are in place are Austria, Cyprus, Czech Republic, Denmark, Finland, Germany, Greece, Ireland, Lithuania, Luxembourg, Portugal, Slovakia and Sweden.

[53] Although when a household member is considered a "child" differs between Member States (also see further on the threshold changing for more detailed children's age brackets and overaged children typically above the age of 21 or 25).

In these countries, the disregard for income from employment ranges between 20% and 35% of income from employment.

**In most Member States, it is possible for minimum income beneficiaries to combine very marginal income from work with minimum income benefits.** However, in four Member States, the marginal incomes are not exempted when setting the benefit level of the household (Bulgaria, Czechia, Hungary and Romania). In these cases, income from work, even if marginal, results in withdrawal of the benefit[54].

**Member States differ in whether complementary or universal social benefits are included as income in the means testing.** There are fourteen Member States, which include income from social benefits in the means testing (though there are exceptions for some specific cases). There are thirteen Member States in which social benefits are not disregarded, especially family allowances and child benefits.

**The time-span that is considered as the reference period for income or resources plays an important role in the extent to which ad-hoc and temporary income plays a role in the means testing.** Most Member States consider one to three months of labour income preceding the application. Furthermore, academic research shows that in about a quarter of cases examined in Germany, the means testing do not accurately represent resources for households with fluctuating incomes, including from self-employment.[55] Such challenges might be due to seasonal variations in work and the notion that taxes are based on the previous year rather than current income.

***Eligibility based on assets can be a point of friction in the application process.***

**In ten Member States, owner-occupied housing is explicitly taken into account in the means testing** (Austria, Bulgaria, Croatia, Denmark, France, Greece, Hungary, Lithuania, Luxembourg, Sweden). In Portugal, Slovakia and Germany, this is up to a maximum value of the property. In all other Member States, owner-occupied housing is not taken into account by default, but in many cases, the decision whether taking into account the value of owner-occupied property is at the discretion of the implementing authorities. When owner occupied housing is considered to exceed a specific value, applicants may be required to sell assets or take out a loan with these as security before receiving income support. To avoid such issues, in some countries, consideration is given as to whether it is a reasonable and proportionate request to liquidate assets. Applicants for Swedish income support may be required, for instance, to sell their house and move to a less expensive place. However, the general principle is that if the need for assistance is temporary, benefits are paid without considering this condition. In Denmark, to incentivise the sharing of living space, the means test for social assistance excludes rental income if the owner shares the property with a tenant.

[54] ERGO Network, Nov 2021, Roma access to adequate minimum income schemes in Bulgaria, the Czech Republic, Hungary, Romania and Slovakia. A contribution to reducing Roma poverty and social exclusion, accessed at: ergonetwork.org.

[55] Becker, Irene (2011): Bewertung der Neuregelungen des SGB II, Methodische Gesichtspunkte der Bedarfsbemessung vor dem Hintergrund des „Hartz-IV-Urteils“ des Bundesverfassungsgerichts, in: Soziale Sicherheit Extra, Sonderheft September 2011.

**Moveable assets (jewellery, vehicles, art, etc.), as opposed to non-moveable ones, are taken into account in almost all Member States**; though the types of these included in the means testing differ. A car or other vehicle, for example, can be given considerable weight in some means testing. The inclusion of a vehicle in the means testing can be a barrier to employment and social inclusion, especially in rural areas. Financial assets, pension plans or accumulated rights to a pension are included in the means testing in some countries but exempted in others (in seven Member States at least, these are taken into account). Accumulated savings are also considered in nearly all cases, with certain minimum level excluded. At the same time, debt is equally taken into account in many (for example in Belgium and Croatia), but not all Member States.

**In some countries, the interactions between thresholds for the total value of assets, thresholds for specific types of assets, and the asset disregard are complex**, making it difficult for potential applicants to judge the outcome of the (often lengthy) application procedure. For example, in Portugal there are absolute thresholds for property and total assets including moveable assets such as saving bonds). Benefits are not paid if the value of the property owned by the household exceeds 60 times the reference social support index (*indexante dos apoios sociais, IAS*), nor if the total value of assets exceeds this by 240 times. In addition, owner-occupied housing is taken into account only if its total net market value exceeds 450 times the IAS. If it does so, a relative threshold of 5% of the difference between the value of the property and the IAS is applied in the means testing.

***In some Member States, eligibility criteria based on age exclude young and elderly people.***

Minimum income benefits can be granted to all adults in eleven Member States, while the other **sixteen Member States apply additional age restrictions for their main minimum income benefits**. It is worth emphasizing here that applying an age criterion may not mean that a specific age group is excluded from income support as such, but rather, that other support (often dedicated complementary schemes at youth) are applicable. Out of the sixteen Member States, in eleven, the minimum age is 18 or lower (Belgium, Germany, Greece, Hungary, Ireland, Malta, Netherlands, Poland, Portugal, Romania and Slovakia.) In five countries, the minimum age to apply for the minimum income benefit is higher than 18 (Cyprus, Denmark, France, Luxembourg and Spain). In Denmark the minimum age is relatively high (30) because a separate scheme for younger people exists. Cyprus applies a minimum age of 28 years, while France and Luxembourg of 25 years. Finally, the Spanish general minimum income benefit and other regional benefits apply a minimum age of 23 years.

**Regarding maximum age requirements, in ten Member States the eligibility criteria linked to the maximum age of the applicant refers to the legal retirement age.** This means that, unless categorical schemes are at place, people reaching the retirement age are not covered by last resort type of minimum income benefits in these Member States.

**Young adults (18-30 years) may be in a relatively disadvantaged position vis-à-vis older cohorts of the working age population.** Even if they comply with the age criterion, young adults are less likely to be heads of households and thus receive benefits directly. Only in some circumstances eligibility criteria are relaxed in this respect, such as in case of marriage

(Belgium, Cyprus, Spain), single parenthood (Cyprus, France), caring responsibilities for (disabled) child/children (Belgium, Luxembourg, Spain), other caring responsibilities (Luxembourg, Spain), pregnancy (Belgium, Luxembourg), orphanage (Cyprus, Spain), disability or illness (Cyprus, Luxembourg), or victims of certain crimes such as gender-based violence (Spain).

***Eligibility requirements based on nationality and residency are stringent in some Member States.***

**In all Member States, national citizens and citizens of other Member States (depending on general rules for acquiring permanent residence) are eligible for minimum income.** The residency requirements for third country nationals coming from outside the Union/European Economic Area vary to a large degree. There are two groups of Member States in this respect, one applies only permanent legal residency requirements to eligibility for minimum income benefits and the other requires a qualifying residency period beyond acquiring permanent legal residency. There is such a minimum length of additional residency requirement in twelve Member States (Austria, Belgium, Bulgaria, Cyprus, Denmark, France, Germany, Italy, Latvia, Luxembourg, Portugal, Spain), with the maximum such residency requirement being of ten years. This means that these countries require, in addition to having acquired permanent and legal residence status, a qualifying period of residence. In particular, Denmark and Italy apply the most stringent residence requirements of nine and ten years, respectively. In Austria, Bulgaria, Cyprus, France, Luxembourg, an additional qualifying period of five years is applied. Spain and Portugal require one year of additional qualifying period of residence for third country nationals. For Belgium, Germany and Latvia, the additional qualifying period of residence is three months.

**Asylum seekers, who do not have refugee status yet, and undocumented migrants are generally not eligible for minimum income benefits**, but are subject to categorical measures (providing typically lower levels of support). Importantly, the residency requirements can also affect homeless people as although they may be eligible, they may face problems to demonstrate their residence. Since 24 February 2022, Russia's military invasion of Ukraine has created a situation of flows of displaced people fleeing from Ukraine. On 4 March 2022, the Council unanimously adopted the Decision giving those fleeing war in Ukraine the right to temporary protection, including a residence permit and access to social welfare or means of subsistence if necessary.

***In most Member States, a large share of potential beneficiaries do not take up social benefits.***

**The non-take-up of benefits appears to be high in all Member States.** Low actual coverage rates within the group of people at-risk-of-poverty can be explained partly by restrictive rules on eligibility, partly also due to low actual take-up rates within the population who would be eligible.

**Available estimates of non-take-up typically range around from 30% to 50% of the eligible population.** Eurofound[56] (2015) estimates that non-take-up of monetary social benefits ranges between approximately 25% to 80% in fifteen Member States. A recent comparative study[57] provides estimates of the non-take-up of minimum income benefits in four Member States (Germany, Belgium, Finland, the Netherlands). It corroborates results from Eurofound in showing that non-take-up of minimum income benefits typically ranges around 30% to 50% of the eligible population.

As part of their social safety nets and in addition to monetary benefits, Member States also provide services or benefits in-kind. While minimum income beneficiaries are likely to profit from those, they are not always integrated with minimum income and are not taken up by all minimum income beneficiaries. Evidence shows that the take up of some services (e.g. childcare) is lower for low-income households in spite of the additional support provided[58]. It is key that access to benefits and services is ensured within the comprehensive design of minimum income to avoid different levels of take-up of such in-kind benefits across regions, schemes and groups of beneficiaries.

**Non-take-up of benefits might be explained by several factors**, such as fragmented institutional systems of various benefits, lack of trust in institutions, lack of information, lack of awareness (or misperceptions about the entitlement or application procedures), long waiting period, complexity of access (ability to find one's way through the system, or ability to travel to the welfare or employment office), issues in access to digital communications (inability to afford them or lack of skills to use them) to apply online to benefits and social barriers (stigma or perception of stigma – sometimes linked to the conditions tied to a benefit or to the application procedure). Additional barriers might be due to fragmented institutional systems, language barriers and potential financial resources demanded by the (sometimes long) application process. Finally, those that perceive the pay-off as uncertain, or their need for support to be temporary, may be more likely not to claim benefits.

**During the application process vulnerable groups can face difficulties in obtaining the required documentation and recognition of their status.** In addition, complexity may increase due to additional administrative requirements in the application process such as face-to-face meetings and on-site reviews by social workers (home visits, or formal interviews in administrative office)[59]. Finally, some of the channels of communication used for administering the support (through telephone or only online, for example) are not necessarily best fit for use of people in vulnerable situations.

When assessing the complexity of the application process, two factors need to be considered: the type of language used in the application form (how far it is legalistic in nature) and the

56 https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1536en.pdf.

57 Université Paris-Est Créteil / Université Gustave Eiffel - Direction de la recherche, des études, de l'évaluation et des statistiques (DREES).

58 See Commission Staff Working Document accompanying the document Proposal for a Council Recommendation establishing a European Child Guarantee, SWD (2021) 62 final.

59 Visits at the applicant's home is the case in Czech Republic and Poland, for example.

number of supporting documents that need to be provided[60]. In sixteen Member States, the number of supporting documents requested for the application process might be excessive and too difficult or costly to obtain for applicants: Austria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Hungary, Italy, Latvia, Lithuania, Netherlands, Poland, Portugal, Romania, Spain (specific regional benefits).

**A better integration of different social benefits and services could improve the effective take-up of minimum income.** In some cases, the multiplicity of benefits and services, different administration agencies and application procedures increases the complexity of information that potential claimants need to be aware of in order to apply for benefits (see also Chapter 3.5).

**Automation in granting and improved data exchanges between relevant authorities could improve the uptake of social rights.** There are various levels of automation possible, including the automatic identification and means assessment of potential beneficiaries; their automatic enrolment in social assistance schemes; as well as automatic assessment of their continued eligibility. Such automation could shorten and streamline the process of granting access to social rights and – by reducing the time spent in administrative tasks – enable social workers to target their efforts more efficiently. The TAKE project[61] shows through Belgian case studies that the automatic identification of potential beneficiaries and the automation of take-up significantly increases the number of beneficiaries who actually receive social benefits to which they are entitled.

### 3.3 Challenges related to inclusive labour markets and social inclusion

**Policies and institutions promoting inclusive labour markets aim at facilitating access and a return to employment**, especially for those who are the most disadvantaged. Inclusive labour markets result from positive interactions between activation policies, labour market institutions that prevent segmentation and limit entry barriers, and well-designed tax and benefits systems.

**The labour market situation of minimum income beneficiaries varies significantly across Member States.** Comparative evidence on the labour market attachment of minimum income recipients is scarce since this requires the availability of harmonised data sources. Available estimates based on EU-SILC indicate that on average in the Union, **around one third of minimum income beneficiaries have some kind of labour market attachment**,

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[60] High administrative costs is identified as a key driver for non-take up of minimum income benefits in the literature; see for example Hümbelin, O. (2016). *Nichtbezug von Sozialhilfe: Regionale Unterschiede und die Bedeutung von sozialen Normen*. University of Bern Social Sciences Working Paper No. 21/2016. Information costs to understand the language of a form to be filled was identified as a driver of non-take up, see for example Eurofound (2015). *Access to Social Benefits: Reducing Non-Take-Up*. Luxembourg: Publications Office of the European Union.

[61] Lefevere, Goedemé, de Wilde and De Spiegeleer (2019) 'Nonrecours à l'intervention majorée et octroi automatique de droits : aperçu et étude de cas', Revue belge de sécurité sociale, 2(2019), p. 251-284.

Van Gestel, Goedemé, Janssens, Lefevere and Lemkens (2022) 'Improving take-up by reaching out to potential beneficiaries: insights from a large-scale field experiment in Belgium' in Journal of social policy. https://doi.org/10.1017/S004727942100088X.

even if it can be weak (at least some hours worked registered over the past year). Overall, the available data indicate that the job exit rate[62] is rather low, at around 15%, varying between 3% in Romania and 29% in Estonia. At the same time, between 60%-70% of the beneficiaries are not employed throughout a year. Job counselling, individual action plans and the integration of activation measures into minimum income have a positive effect on the likelihood of beneficiaries' successfully entering employment[63]. While direct jobs experience might also have a positive effect, it is relatively more costly than job counselling and individual action plans.

**The role of the social economy** is instrumental to facilitate employment opportunities for minimum income beneficiaries. Employment in the social economy could be a stepping stone towards attachment to the open labour market. According to the social economy action plan[64], 2.8 million social economy entities in the Union employ some 13.6 million people. The action plan confirms that there is untapped economic and job creation potential for the social economy in several Member States and regions, which could contribute to social and labour-market inclusion of people in vulnerable situations. It also complements efforts to integrate young people and disadvantaged groups (e.g. persons with disabilities, older people, long-term unemployed, persons with a migrant, minority racial or ethnic background - particularly Roma -, single parents) into the labour market and in society at large.

***A large number of minimum income beneficiaries does not participate in active labour market policy measures.***

**Active Labour Market Policies** (ALMP) encompass a range of measures: special support for job search training and education for the unemployed and inactive; job rotation and job sharing; employment incentives and subsidies for taking up jobs; and job creation activities such as community work programmes.

Evidence suggests[65] that **a large proportion of minimum income beneficiaries are not subject to ALMP measures, even though they might be capable to work.** From those who are registered in Public Employment Services (PES), in some Member States, less than 15% of beneficiaries are participating on an active labour market policy measure[66]. Minimum income beneficiaries are less likely to benefit from ALMP measures compared to the recipients of unemployment benefits. According to data for 2020 from the EU Labour Market Policies database, the labour market activation rate was lower for long-term unemployed than for all registered unemployed in twelve of the seventeen countries for which data was available for both groups. This is despite the fact that the long-term unemployed have greater

[62] Job exit rates show the share of participants in a given labour market activation programme who successfully transition to employment from benefit receipt.
[63] European Commission, Study about the Methodology to Measure the Returns on Investment from Integration Social Assistance Schemes, 2020.
[64] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Building an economy that works for people: an action plan for the social economy', COM(2021) 778 final.
[65] 'Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of EU Member States' minimum income schemes, prepared by ICF/Applica 2022.
[66] In the social assistance schemes of EL, HR, IT, LT, LU, FI and in the basic income support for jobseekers in DE.

need for retraining and other ALMP measures, as emphasised by the Council Recommendation on the integration of the long-term unemployed in the labour market[67].

***Job search is often a precondition to receiving the minimum income benefit.***

Minimum income recipients are expected to engage in job search and improve their employability prospects in exchange for receiving employment services and benefits. Sanctions for non-compliance with activation requirements are common in nearly all Member States, although many countries take remedial actions prior to applying them. The sanctions can include exclusion from the unemployment register and a requirement to re-apply for the minimum income benefits (in nineteen Member States[68]), or a temporary suspension of the benefit (in nine Member States[69]). In just over half of the Member States[70] the complete suspension or withdrawal of access to minimum income appears to be the only type of sanction available, which results in a severe impact on the beneficiary in terms of loss of income.

**Incentivizing to more active job-search, together with availability of a wider range of jobs, leads to increased employment**. Overall, the results suggest that positive incentives and supportive elements, providing claimants with the resources they need to effectively look for work, are more effective than sanctions[71]. The nature of the different sanctions for not participating in ALMP measures applied across Member States suggests that there is a balance to be struck for the sanctions not to be too moderate (in the sense that they impose some requirements) and - at the same time - not to be too strict (in the sense that they do not excessively sanction non-compliance). For example, in certain countries the sanctions have progressive character reflecting the severity of non-compliance; in some cases family composition is taken into account so as to protect children. Another challenge is the availability of targeted ALMP measures for the minimum income beneficiaries taking into account their particular needs and barriers. Special attention needs to be paid to young adults, outside of the labour market or being at-risk-of-poverty or social exclusion. To get them back into education, training or the labour market within the shortest time possible, the conditions to receipt of income support should be strongly linked to strong activation measures supporting them in gaining relevant work experience and developing the right skills for a changing world of work, in particular those relevant to the green and digital transitions.

***Labour market relevance of certain support is not always adequate.***

**Conditioning the right to minimum income benefits to participation in ALMP measures associated with low job exit rates does not typically lead to sustainable employment outcomes.** Some Member States organise public works or similar direct job creation

[67] In February 2016 the Council adopted the Commission's proposal for a recommendation on the integration of the long-term unemployed in the labour market.
In April 2019 the Commission adopted the report on the implementation of the Council recommendation taking stock of progress made.
[68] BG, CZ, DK, EE, EL, FR, HR, IT, CY, LV, LT, LU, HU, MT, PL, PT, RO, SI and SE.
[69] In BE, DK, EE, IE, ES, NL, AT, RO and FI.
[70] BG, CZ, EL, ES, HR, IT, CY, LV, LT, HU, MT, PT, RO and SI.
[71] See: OECD (2020): ‘How demanding are activation requirements for job seekers?’.

measures for minimum income beneficiaries, participation in which is either obligatory or incentivised financially. It is the case in Slovakia, Croatia, Czechia, Hungary, Latvia, Luxembourg and Poland. Some of these countries appear to use sanctions should applicants refuse to participate in public works[72], including the termination or temporary suspension of the benefit(s). In Slovakia, for example, participation in public works for at least 64 hours per month is obligatory for minimum income beneficiaries (if deemed fit for work). The corresponding activation allowance might appear to be a top-up but is in practice an integral part of the benefit, without which the basic amount of benefit is highly inadequate.

Academic research shows low effectiveness of public works schemes in terms of providing long–term sustainable transitions to regular employment for participants[73]. Monitoring the situation of the clients once they exit PES registry, including post-placement support is a practice applied only to a limited extent in Member States[74], even though adequate monitoring is seen as a factor contributing to the combating of in-work poverty[75].

***Only in less than half of the Member States minimum income beneficiaries undergo comprehensive needs assessments.***

**Comprehensive needs assessment aims at putting forward targeted measures and services** to individuals, also covering non-financial barriers to social inclusion and labour market integration. Multidimensional needs assessment is considered to be a first step towards social inclusion and subsequent labour market integration for those who can work.

**There are no common standards on the timing or the elements of multidimensional needs assessments**. While in principle such assessments are used, their scope and the level of depth vary considerably across Member States. Typical dimensions assessed include applicants' housing situation, health and income status, communication skills, professional skills, trainings, and citizenship. Such assessment is carried out in twelve Member States[76]. Eight Member States implement such assessment partially, for example for certain groups, or at a discretion of a municipality[77]. In some Member States[78] where a multidimensional assessment is carried out, there is some indication that a certain level of discretion exists in terms of whether an assessment is carried out and the extent of this. For example, in the case of the guaranteed minimum benefit in Croatia, the needs assessment is at the discretion of the case workers in the Centres for Social Welfare, while in the case of monthly social assistance allowances in Bulgaria, it is provided on an ad-hoc basis at the discretion of the local social

[72] BG, LT and SK.
[73] Card, D; Kluve, J; and Weber, A.; 2015. What works? A meta analysis of recent active labor market programs. IZA Discussion Paper No.9236.
[74] European Network of Public Employment Services, Integrated services for long-term unemployed, 2020.
[75] European Commission, In-work poverty in Europe, A study of national policies, 2019.
[76] BE (Integration income), CY (Guaranteed Minimum Income), DK (Social assistance), EE (Subsistence benefit), FI (Social assistance), DE (Subsistence benefit and Basic income support for jobseekers), EL (Guaranteed Minimum Income), LV (Guaranteed minimum income benefit), LU (Social inclusion income), PL (Periodic Allowance), PT (Social minimum income), SE (Social assistance - livelihood support).
[77] BG (Monthly social assistance allowances), HR (Guaranteed minimum benefit), FR (Active solidarity income), IT (Guaranteed Minimum Income), LT (Social assistance benefit), NL (Participation Act), RO (Social Aid for ensuring the Guaranteed minimum income), SI (Cash Social Assistance).
[78] BE, BG, HR, DK, FR, DE, RO.

directorate. In seven Member States, the needs assessment is not carried out[79]. Furthermore, in seven Member States only an assessment to determine individuals' fitness to work is conducted[80].

In many cases the multidimensional assessment is either partially or fully distinct from the relevant employability assessment carried out for minimum income recipients. Partial overlaps are those where the assessment includes some employability factors or is effectively an extension of an existing employability assessment. An example of such a case is that of cash social assistance in Slovenia where an assessment encompassing both employability and social issues is carried out as soon as the benefit are granted and a further separate assessment focusing more on social needs is subsequently carried out for long-term unemployed.

**In the majority of cases, the assessment is performed within a month from submitting an application** for granting minimum income benefits. For example, in Greece, assessment takes place shortly after applying for minimum income benefits and as soon as available resources allow, while in Poland assessment usually takes place within 14 days, but it is conducted within two days in urgent cases. However, in some countries, the waiting time is longer, or varies across municipalities.

***Only in about half of the Member States minimum income beneficiaries receive an inclusion plan.***

While there are no common standards with regard to the provision of an individualised social inclusion plan to minimum income beneficiaries, ideally such plan should define: the objectives and timeliness of the plan, mutual rights and obligations of beneficiaries and the relevant authorities as well as a package of tailored support measures. It should also assign a case manager for each beneficiary. Only in about half of the Member States the relevant authorities prepare such plans.

Although, in principle, the inclusion plans should also cover a broad range of enabling services, the most commonly supported services are healthcare and childcare. Certain plans offer specialised social services, including counselling and mediation, psychological support or rehabilitation. Participation in services outlined in the plan is in the majority of cases obligatory, but in some cases it is voluntary or it differs across municipalities. Targeted provision of services is based, to a large extent, on the content of social inclusion plans. In the absence of such plans, provision of these services is a discretionary decision from the side of relevant authorities or a case worker.

In accordance with the Council Recommendation on the integration of long-term unemployed into the labour market, job integration agreements should be based on a comprehensive needs-assessment and aim at facilitating access of the long-term unemployed to sustainable employment and quality services. Yet, eleven Member States still do not offer such agreements for the long-term unemployed. Whilst in principle, labour market activation, or

[79] It is not carried out in AT, CZ, IE, MT, HU, SK and ES.
[80] DK, EE, FR, LU, PL, SE, SI.

job integration agreements for those who can work should be integral to minimum income, the extent to which these are applied in practice varies considerably across Member States.

**Personalised support could be further strengthened through case management**, whereby beneficiaries have a stable and single point of contact - a case manager - who assists them, oversees their situation, carries out and follows-up on corresponding referrals to services. Although the need for case management function has been increasingly recognised, only a limited number of Member States implemented this practice. In the Netherlands, for example, the case managers are well informed about the situation of their clients, and capable of providing effective support. However, given the lack of a common framework, the approach varies substantially across local municipalities. In other countries (for example, in Lithuania), a case-management approach is being tested in the context of needs assessment. It is essential that such an approach is based on protocols and common assessment frameworks, otherwise it risks being discretionary and dependant on the availability of human resources.

***Not all Member States have an effective system of tapering benefits when work is taken up.***

On top of ALMP measures facilitating taking-up employment, **it is essential that work pays.** Making work pay is both a matter of fairness (ensuring that transitions to work translate into higher incomes) as well as effectiveness (ensuring that incentives to work are positive). Available evidence on the impact of monetary incentives for minimum income beneficiaries is scarce as it requires the availability of data on their labour market situation over time.[81]

As discussed in Chapter 3.2, the absence of a significant positive impact of financial incentives on labour market transitions of minimum income beneficiaries highlights that their barriers to labour market participation are multiple and broader than the monetary dimension only. Available evidence[82] shows that people who are furthest away from the labour market often face other obstacles that can actually have a much stronger impact on their access to the labour market, such as low or not matching skills, the overall availability of jobs or job counselling[83].

Overall, across the Union, minimum income benefits continue to be paid during participation in ALMP measures, a practice which ensures continuity in minimum income benefits as a source of income for recipients.

**Furthermore, in many Member States[84], minimum income benefits continue to be paid when recipients take up employment**, provided that their income remains below a threshold explicitly set out in eligibility criteria or implicit in the calculation of the benefit amount,

[81] See ESDE 2020 (https://data.europa.eu/doi/10.2767/478772) and Study about the methodology to measure the returns on investment from integrated social assistance schemes: final report, (2020) (https://data.europa.eu/doi/10.2767/716458).
[82] See for instance OECD faces of joblessness, Faces of Joblessness - Towards People-centred Employment Support - OECD.
[83] See ESDE 2020 (https://data.europa.eu/doi/10.2767/478772) and Study about the methodology to measure the returns on investment from integrated social assistance schemes: final report, (2020) (https://data.europa.eu/doi/10.2767/716458).
[84] BE, CZ, DK, DE, EE, IE, EL, FR, HR, IT, CY, LU, NL, AT, PT, RO, SI, FI and SE.

and/or the amount of work they perform (in terms of working hours or equivalent measures of work intensity) does not exceed a particular threshold. Take up of employment is incentivised by ensuring that overall income is substantially higher upon starting work. This is achieved in two different ways. A first approach[85] is to exempt part of income from work from means-testing or the calculation of minimum income benefits, often for a fixed period. For example, in the case of the subsistence benefit in Estonia, a beneficiary who has been receiving the benefit for at least two months and starts work has 100% of their income excluded from the means-test for the first two months and then 50% for the next four months. A second approach[86] is to continue the minimum income benefits for a fixed period with tapering of the amount over time. This approach may be most pertinent in cases where minimum income benefits are fixed amounts and not based on income. For example, in Malta, after starting work, a minimum income beneficiary receives 65% of the benefit during the first year, 45% during the second and 25% during the third.

**In most cases, however, the type and duration of employment (whether it is temporary or long-term, and whether it leads to an open-ended form of employment) is not taken into account.** In the majority of countries where there is the possibility of continuing to receive minimum income benefit once a recipient becomes employed, the character of the employment is not explicitly taken into consideration but the level of income it provides (e.g. whether it is probational, short-term, irregular, stable, etc.). Based on the information available, there are only four countries (Ireland, Italy, Romania and Slovenia) where other characteristics explicitly impact on the payment of minimum income benefits: In Ireland continued payment relies on working days not exceeding a particular threshold, in Italy different rules apply to those who become self-employed, in Romania continued payment applies only when the employment contract has a duration of at least 24 months, and in Slovenia, only income from casual or occasional work is (partially) excluded from means-testing. However, it should be acknowledged that income-related means testing thresholds which take account of income from work implicitly ensure that minimum income benefits are retained during participation in short-term irregular employment simply because such work does not tend to generate a high level of income. For example, in the case of social assistance in Finland, income up to 150 Euro per month has no impact on minimum income benefits while any income above results in an equivalent reduction in benefit amount.

***In-work poverty remains a persistent challenge.***

**In-work poverty, that is the share of persons who are at work and have an equivalised disposable income below the at-risk-of-poverty threshold, stood in 2020 at 7,3%[87] in the Union.** This highlights that further efforts are needed to ensure that work pays, both through ensuring adequate wages as well as through introducing cautiously designed welfare systems in which income support is tapered gradually.

**Gradual phasing out of minimum income benefits with earned income prevents work disincentives**. However, it is important to note that minimum income benefits do not operate

[85] In BE, EE, EL, IT, LT, NL, AT, SI, FI and SE.
[86] In HR, LT, LV, MT, PL and RO.
[87] Eurostat: indicator code: sdg_01_41.

in isolation and that in-work benefits and the tax system play an equally important role in determining the monetary impact of moving from minimum income benefits to work. The Impact Assessment accompanying the proposal for a Directive on adequate minimum wages also underlines that the income gain from a certain increase in the minimum wage is likely to be the highest when taxes paid by minimum wage earners are low or when benefits are not withdrawn. It also highlights that increased minimum wages are expected to contribute to reducing wage inequality and in-work poverty.

### 3.4. Challenges related to effective access to enabling and essential services

**Ensuring effective access of minimum income beneficiaries to enabling and essential services supporting employment and social integration remains a challenge in many Member States.** While an exhaustive list of **enabling services** cannot be drawn, they typically include general enabling services provided to everyone, such as early childhood education and care, training and education, healthcare, and long-term care. A specific category of enabling services - **social inclusion services** - encompasses targeted services addressing specific problems and barriers of those furthest away from the labour market.

Access to enabling services is not only a necessary precondition of successful employment and social participation, but it also contributes to adequate standards of living and combating in-work poverty[88]. For example, childcare is a positive determinant of beneficiaries' successful transitioning to employment[89].

***Provision of social inclusion services remains a challenge in many Member States.***

People experiencing severe disadvantages require comprehensive assistance often during longer periods. Such assistance entails comprehensive, integrated and pro-active approaches supported by social inclusion services (including social work, counselling, coaching, mentoring, psychological support and rehabilitation). One of the common challenges is insufficient funding that does not allow for adequate numbers of personnel to provide services for all those in need. This was particularly problematic during the COVID-19 pandemic when social services had to cope with an increase in service users. The lack of qualified personnel is aggravated by working and pay conditions.

A **Voluntary European Quality Framework for Social Services**[90] was prepared in 2010 by the Social Protection Committee to identify quality principles that these services should fulfil. It has been designed as a reference for defining, assuring, evaluating and improving the quality of these services (incl. cooperation among various providers and authorities). It covers general principles, such as availability, affordability, accessibility, continuity, comprehensiveness and focus on outcome. While the principles of the Framework are still

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[88] European Commission, In-work poverty in Europe, A study of national policies, 2019.
[89] European Commission, Study about the Methodology to Measure the Returns on Investment from Integration Social Assistance Schemes, 2020.
[90] Social Protection Committee (2010). A VOLUNTARY EUROPEAN QUALITY FRAMEWORK FOR SOCIAL SERVICES. SOCIAL PROTECTION COMMITTEE/2010/10/8 final. Available at: https://ec.europa.eu/social/main.jsp?langId=en&catId=794 .

relevant, its implementation has been uneven across the Member States and the service providers at the local level are often less informed about its content[91].

***Many minimum income beneficiaries face problems with access to healthcare, childcare and adequate housing.***

**In spite of the provision of services (and in-kind benefits) to minimum income beneficiaries, there are significant gaps in the coverage of needs for housing, childcare, healthcare and other enabling services.** A combination of various barriers – high costs, deprived neighborhood, limited availability – might lead to a 'social gradient' in access to services. Research has shown that such services are more intensively used by people with higher educational attainment, reinforcing inequalities[92]. There is significant variation in the way in which Member States support access to enabling services and the extent to which minimum income is associated with these.

Regarding healthcare, in the majority of Member States, free-of-charge minimum healthcare services are available to minimum income beneficiaries. However, there are often significant limitations as, for example, out-of-pocket costs for households to access care are prohibitive or waiting lists apply for healthcare accessible to low income groups. Only few Member States put in place additional benefits that can provide support for chronical disease costs, additional medical costs not covered by the health insurance or specific one-off costs (hospital treatment or pharmaceutical products).

Though the gap (between persons under and above the poverty threshold) in self-reported unmet needs for medical examination[93] has declined over the past years, reaching 3.4 percentage points in 2020, there are some Member States where this gap remains relatively high (such as Greece, Latvia, Belgium, Slovakia, Bulgaria and Portugal). The gap is relatively low (less than 1 percentage point) only in a few Member States (for example, Spain, Czechia and Germany).

A lower proportion of children at risk of poverty or social exclusion benefit from formal **childcare** than their better-off peers[94]. This is despite the fact that family and child benefits (or specific childcare vouchers) are available in most Member States for households with children. They are often available universally (like in Estonia, Hungary, Italy, Latvia, Luxembourg, Lithuania, the Netherlands, Sweden and Poland), or are targeted at households with low income. In some Member States (Italy, Lithuania and, Netherlands), the amount of the benefit is linked to the income of the household, with lower income households receiving higher benefits. Additional supports are provided to families with children to improve their

[91] European Commission, Study on social services with particular focus on personal targeted social services for people in vulnerable situations, 2022.
[92] Employment and Social Development in Europe, 2013.
[93] Possible reasons: too expensive or too far to travel or waiting list. Gap in p.p. between the share of individuals (18-64) at risk of poverty from (quasi-)jobless and the share of individuals (18-64) not at risk of poverty from non-(quasi-)jobless households. Source: https://ec.europa.eu/social/main.jsp?advSearchKey=bench_fram_minincom&mode=advancedSubmit&catId=22&doc_submit=&policyArea=0&policyAreaSub=0&country=0&year=0#navItem-1.
[94] Eurostat ilc_ats01.

integration in education (school meals, educational material, etc.) or for social activities (sports, cultural activities).

Regarding housing, the gap (between persons under and above the poverty threshold) in housing cost overburden[95] rate stands at 33 percentage points, highlighting the disproportionate cost of housing for those at risk of poverty or social exclusion[96].

***Access to essential services can also be problematic.***

**In some Member States minimum income is implicitly or explicitly designed to support access to essential services.** With increasing energy costs, the support to utility costs is gaining importance. In Austria and Poland, this support can cover, on an ad-hoc basis, additional expenses, such as repairs or buying new household appliances. In Sweden, social assistance benefits are divided into a first part covering consumption items, and a second covering 'reasonable costs for housing', which are determined locally by the municipalities and include energy, water and sanitation. The amount of the German minimum income benefits under Social Code Books II and XII are based on cost components which include also items related to the individual essential services. In other Member States, support to access to essential services is provided mostly through specific measures addressed to each of the services separately, mainly via reduced tariffs, cost reimbursements and dedicated cash benefits. In some cases, the threshold used to assess eligibility is the same as the one used for minimum income or being a minimum income beneficiary automatically grants access to these "service-specific" schemes. For example, In Vienna (Austria), persons receiving minimum income are entitled to subsidised public transport. In Belgium, the social tariff on mobile telephone and internet access automatically applies to minimum income beneficiaries. In Italy, being a beneficiary of the minimum income grants automatic access to the water, gas and electricity bonuses.

### 3.5 Challenges related to governance mechanisms

***There is large variation in the level of cooperation between authorities in charge of income support, employment services and social services.***

A degree of variation can be observed across Member States regarding the levels of governance responsible for the financing and implementation of minimum income. Most countries rely on financing at the national level, with funds originating in the central budget. A smaller number of countries have mechanisms in place for funds to be drawn directly from sources at the local level where minimum income is provided. In Austria, the financing is governed regionally, although basic common features are defined across provinces to ensure a certain degree of uniformity. Some Member States, such as France and Spain, have a more complex set of schemes, with financing of some schemes by the central government and others being funded regionally or locally. In the case of Croatia, the minimum income is

[95] The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40 % of disposable income ('net' of housing allowances).
[96] For a detailed analysis on the gap in housing cost overburden indicator, see Annex 7.

financed nationally, while allowances for housing and heating costs for the poorest households are paid by local and regional self-government units.

**Effective governance of the implementation of minimum income requires a strong coordination of different stakeholders**. A national regulatory framework ensuring standardisation of the provision of minimum income (such as means testing, eligibility criteria, activation conditions, provision of social services) contributes to alleviating regional differences. At the same time, horizontal coordination among relevant service providers (PES, benefit paying authority and social services) and vertical coordination between different administrative layers is key to effectively integrate the three strands of minimum income. The majority of Member States implement minimum income at the local or regional level. This allows qualified social workers to be closer to the people benefitting from these schemes, tailoring the support provided better to individual needs. Only four Member States – Italy, Slovakia, Luxembourg, Cyprus and Malta – implement minimum income at the national level via central government agencies.

**Data-sharing among different entities** with information on minimum income scheme applicants and beneficiaries can contribute to reducing the administrative burden, improve collaboration between authorities and improve monitoring and evaluation of the schemes in general. Sharing information on minimum income beneficiaries and their characteristics can help improve the effectiveness of the schemes. Issues identified in relation to data sharing include obstacles and difficulties presented by data protection legislation (e.g. Netherlands and Denmark), the involvement of large numbers of actors (e.g. France), lack of tools to collect and communicate data (e.g. France) and inaccuracies and gaps in the data (e.g. Lithuania). These findings are consistent with the challenges identified by in-depth research focusing on the management and use of data in public employment services produced by the European Network of PES.

***Limits in coordination also hinders coverage and individualised service delivery.***

A varying range of organisations are identified as being involved in the delivery of integrated services to minimum income beneficiaries, including the PES, social insurance institutions, training bodies, social services, municipal and local government, and non-governmental organisations. The provision of services may be facilitated through integrated service models that deliver a combined package of services to avoid uncoordinated approaches by various service providers. These involve partnership agreements between providers, joint needs assessment, joint follow-up, one-stop-shops, joint evaluations and monitoring frameworks, sequential provision of different services, etc. In fourteen Member States, minimum income beneficiaries potentially have access to integrated service provision. However, this access is not extended to all participants in some of the cases, due to varying availability of services across municipal or local authorities (Bulgaria, Germany, France, Italy and Sweden) or services being limited to pilot projects (Latvia, Poland and Romania).

**Civil society organisations play an important role in the delivery of social services** in many Member States, for example preventive services in Czechia, services for persons with disabilities in Greece, or social inclusion services in Ireland. They are also prominent in Germany, Slovakia and Portugal. Those organisations often fill in the gap in services provision by the public sector, in particular as concerns the provision of social inclusion services for the most vulnerable, such as homeless persons, ex-offenders or victims of domestic violence.

***There are gaps in the operational capacity of authorities in charge of minimum income, particularly for relevant service providers.***

**Providers of enabling services, particularly the social inclusion services, face important capacity problems**. The Commission Staff Working Document on the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market highlights the fundamental role of social services and notes that the provision of affordable quality services is the least developed strand of the Active Inclusion Recommendation. It states that these services remain under-developed in many EU countries. People who cannot work or are not on the labour market need health, education, finance, housing and other services to support them. In countries most affected by high unemployment and at risk of poverty rates, social services have to cope with an increase in service users. This increase of demand is putting social services in strain, also as an aftermath of the COVID-19 crisis.

**While data on the case-load of per PES handler are not consistently available, the most frequently reported such ratios are between 100 and 200 clients per case-handler**. The 2016 PES capacity report[97] shows average caseloads of between 100 and 140, depending on the remit of the PES in relation to benefit administration, but with individual country data ranging from caseloads of 12 in Malta to 596 in Spain. To contextualise these numbers, it is reported that between 70 and 110 clients per case-handler is considered as feasible for case-handlers to successfully keep the caseloads and increase the likelihood of employment of their beneficiaries[98]. Personalised services, including increased frequency of contacts with the beneficiaries are only possible if caseworkers have sufficient time for each client and adequate training[99]. Studies do suggest that reducing caseloads can have a positive impact on employment outcomes and on the unemployment rate in the relevant region. In a large-scale pilot project in Germany, job centres with additional counsellors were able, on the one hand, to support more intensified job-search activities and, on the other, to register more vacancies to which clients could be referred to[100].

***There are different patterns in the extent to which social partners, civil society organisations and social economy actors are involved in the design, implementation, monitoring and evaluation of minimum income.***

[97] European Commission, 2016, Assessment report on PES capacity.

[98] European Commission, 2018, Study on integrated delivery of social services aiming at the activation of minimum income recipients in the labour market — success factors and reform pathways. The study did not cover all EU Member States.

[99] European Commission, 2018, Study on integrated delivery of social services aiming at the activation of minimum income recipients in the labour market — success factors and reform pathways. The study did not cover all EU Member States.

[100] Hainmueller, J., Hofmann, B., Krug, G., Wolf, K., 2015. Do Lower Caseloads Improve the Performance of Public Employment Services? New Evidence from German Employment Offices. Scandinavian Journal of Economics 118(4). https://doi.org/10.1111/sjoe.12166 .

As has been expressed by some of the representatives of social partners, civil society organisations and social economy actors during the stakeholder consultations, they are often not sufficiently involved in the planning, implementation and monitoring of minimum income. This seems to be the situation in many Member States, even though these organisations often represent and/or provide services for the target group(s) of the schemes.

***Good governance requires effective monitoring and evaluation systems used for evidence based decision-making.***

**Slightly more than half of the Member States have regular monitoring mechanisms in place**. Many countries provide annual reports on the implementation process, sometimes including indicators to assess performance. In France, the Ministry of Health and Social Affairs publishes detailed yearly national and departmental results, based on a large and exhaustive survey. In Luxembourg, monitoring takes place to assess the performance of minimum income, with a focus on cost-effectiveness and the contributions made by the partner institutions. In Lithuania, the monitoring platform for social assistance effectiveness is updated on an annual basis. In the Netherlands, the Parliament annually receives an overview of all information regarding the implementation of the national scheme. Some other countries provide more frequent reports, like in Greece, a quarterly monitoring report is produced at the national level or in Denmark, monthly data is published on so-called Ministerial Goals and the key indicators of employment measures at different levels of government. Other Member States provide statistics about their benefits and make them available publicly. In Belgium, statistical data is collected and regularly published – namely on the right to social integration, integration income benefits, individual plans for social integration, additional financial support and socio-professional integration exemptions. In Sweden, statistics based on the questionnaire filled by the municipalities are made public and complemented by a summary of the main findings. Spain has a regular publication about the regional minimum income provision and there are occasional publications of data on the national scheme.

**While some data is collected in all the Member States, the way they are used for evaluating purposes and evidence based policy making is unclear.** The main challenge appears to relate to cases of insufficient cooperation between different entities. This can be further hampered by legal and technical barriers for data management (such as data protection rules and a lack of secure ways of disseminating data), scarce resources for data preparation and data access administration, the fact that different databases are not linked together and frequent changes in data methodology. Approximately half of the Member States make their collected data publicly available (partially or fully).

## 4. Why should the EU act?

As shown in this Staff Working Document, in a majority of Member States, minimum incomes are not sufficiently effective in supporting the labour market integration and social inclusion of beneficiaries. While over the last years, most Member States have taken steps towards improving their minimum income schemes, the actions have not been sufficient to address the identified challenges in an integrated way. Reforms at national level have not been comprehensive enough and implementation has often lagged. Existing Union instruments, most notably the European Semester, have regularly pointed at existing shortcomings. Over the period 2013 – 2022, on average, sixteen Member States have received country-specific recommendations on various components of minimum income (e.g. on improving the coverage and adequacy of income support, strengthening links between income support and activation measures, improving the delivery of social services and personalized support or consolidating various social benefits to improve their capacity to reduce poverty).

Gaps in the effective delivery of minimum income hampers labour market integration and social inclusion. Inadequate minimum income protection or insufficient access to benefits for a considerable share of population has negative consequences on social fairness and sustainable growth. Persistent inactivity and remaining remote from the labour market leads to skills erosion and a less productive workforce. It is a strong driver for social exclusion and poverty and an obstacle to the achievement of the 2030 headline targets. As shown in Chapter 2 of this Staff Working Document, the target on poverty reduction is unlikely to be reached unless Member States strengthen their social protection and social inclusion systems.

Given the risk of non-action (or insufficient action), in view of the past trends and the social challenges ahead, the Union is well placed to step up efforts and take the lead, while respecting Member States' competences. The Union action can guide Member States to move in the same direction at the same time, promoting upward convergence within and between Member States, resulting in more equitable and cohesive societies and a strengthened social dimension of the Single Market.

# 5. The effect of hypothetical policy reforms on adequacy and coverage

Several simulations of the effect of potential changes in the adequacy and coverage of minimum income have been elaborated based on EUROMOD by the Joint Research Centre of the European Commission[101]. These simulations provide orders of magnitude on household incomes and budgetary expenditure levels based on a baseline scenario and different reform scenarios.

*Methodology*

The baseline scenario (simulated status-quo) is the benchmark against which the impact of subsequent modelling changes is assessed. It is also informative on the current effectiveness of the minimum income benefits. The list of minimum income benefits under assessment is presented in Annex 1.

Generally, minimum income benefits have an income test and a set of non-income eligibility conditions. Income tests are simulated in EUROMOD with a high degree of accuracy, due to the detailed income variables in EU-SILC. Due to lack of information about monthly incomes, the income test assumes that the annual income of the family is equally distributed throughout the twelve months. Regarding non-income eligibility conditions, rules related to socio-demographic characteristics[102] are also simulated accurately, since they are usually well captured in EU-SILC. Other non-income conditions can be simulated only partially; typical examples are asset-related conditions[103], time of residence in the country, registration at employment offices or refusal to take up jobs.

As a result, the number of beneficiaries in the default EUROMOD baseline (and hence the budgetary expenditure) is overestimated for most countries, i.e., the default model identifies as eligible some families that would not be eligible if non-income conditions were taken into account (in general, it is assumed that those conditions are met). Additionally, the default model overestimates the number of beneficiaries (and the budgetary expenditure) because not all entitled households take up the benefits. To overcome this issue of overestimation in the default EUROMOD baseline simulation, an expenditure-based calibration method was applied. An additional EUROMOD version was elaborated, in which the total annual expenditure on minimum income benefits is equal to that from external administrative statistics for each country. Through an iterative process, EUROMOD selected beneficiaries were selected among the eligible observations until the corresponding total expenditure was reached.[104] Once the calibrated baseline was prepared, JRC evaluated its

[101] Almeida V., De Poli S., Hernández A., Technical note on the assessment of reforms of minimum income schemes in the EU using EUROMOD, Joint Research Centre, 2022.
[102] Factors identified under socio-economic demographics do not include ethnicity, which is a limitation of the model.
[103] Investment incomes are present in the EU-SILC data and they are used in some countries to derive financial assets (by capitalizing those incomes). However, this information is insufficient to account for the full extent of the assets portfolio.
[104] Following Hernández, et al. (2020), it was assumed that the probability of receiving the benefit, among eligible beneficiaries, depends on a random component and a deterministic component. The deterministic component gives higher probability for poorer households to be selected as calibrated beneficiaries. As argued in studies on the drivers of non-take-up (Hernanz, et al., 2004), the amount of the entitlement plays a crucial role in determining whether to claim or not a benefit, while other non-monetary factors are also relevant (for instance, individuals living in small cities or rural areas are less likely to take up the benefit). The random component roughly approximates the non-monetary elements. For the calibration, it was assumed that the random and deterministic components have the same weight.

impact by using a counterfactual scenario corresponding to a situation where no minimum income benefits are in place.

The presented reforms consist of two stepwise simulations towards: i) a scenario of extreme poverty eradication, where the adequacy of benefits is set at 40% of median equivalised disposable income (or two thirds of the poverty threshold), and ii) a scenario of poverty eradication, where the adequacy of benefits reaches the poverty threshold (i.e. set at 60% of median equivalised disposable income). The scenarios embody different assumptions in the two main elements eventually defining the performance of a minimum income benefit: coverage (i.e. how well the minimum income scheme covers its target population, usually the poorest households) and adequacy (i.e. how adequate the minimum income level is to ensure a minimum living standard).

1st stepwise simulations towards eradicating extreme poverty (40% of median income or 2/3 of the poverty threshold)

i) Increased adequacy to the 40% of the median income (2/3 of the poverty threshold) for current beneficiaries → ii) Increased coverage by 10 percentage points (with reference to the 2/3 of the poverty threshold) → iii) Extreme poverty elimination through increased coverage and adequacy

2nd stepwise simulations towards eradicating poverty (60% of median income)

i) Increased adequacy to the poverty line (60% of median income) for current beneficiaries → ii) Increased coverage by 10 percentage points (with reference to the poverty line) → iii) Poverty elimination through increased coverage and adequacy

These stepwise simulations are compared with the baseline that provides an estimate of the impact of the current minimum income benefits. Potential behavioural responses triggered by the simulated reform scenarios are not taken into consideration. These could refer to labour supply disincentives, and, among others, consumption and savings responses to changes in households' disposable incomes[105]. This allows to illustrate the impact of changes in adequacy (first) and coverage, including actual take-up[106].

The expenditure in the baseline scenario corresponds to the total cost on the minimum income benefits (as in the list included in Annex 1). In the reform scenarios, the cost of the simulated hypothetical reforms are added, following the stepwise approach explained above. In the reform scenarios, income from other sources (i.e. other benefits and work) are accounted for in the eligibility to the new hypothetical scheme. Therefore, the new hypothetical schemes top up the total (equivalised) disposable incomes of all households to the chosen thresholds. As such, the cost of the "poverty elimination" scenario is simply the cost of eliminating monetary poverty (i.e. making poverty gaps 0).

The next sections assess six potential scenarios in terms of their effect on coverage rates, related additional budgetary expenditure, changes in the disposable income of households at-

[105] See, for instance, Bargain & Doorley, 2011 and among others, Nelson, 2012, on the relationship between minimum income levels and material deprivation.
[106] Disregarding behavioural responses could for example mean that the results on costs as a % of GDP might be an underestimation of the real costs, as costs are likely to increase if labour supply is affected, or if in-work benefits are introduced to counteract potential work incentives. At the same time, the assumption of full take-up inherently assumed in all the scenarios is likely to result in an overestimation of the real costs.

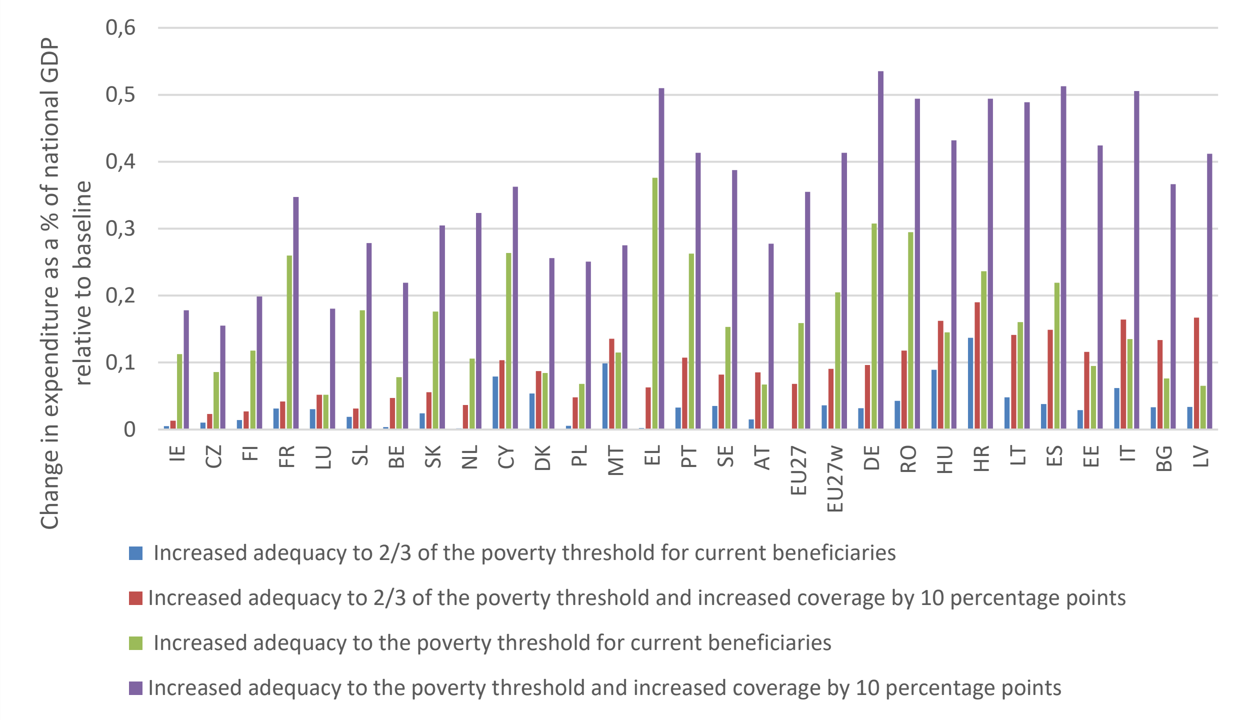
risk-of-poverty and the at-risk-of-poverty rates[107]. The effects in terms on budgetary expenditure and poverty income of the six reform scenarios, as described in the next subchapters, is summarized in the next table and chart.

*Table 1: Summary of hypothetical reform scenarios in terms of their budgetary impacts and poverty outcomes*

| | ***Baseline***<br><br>*current state-of-play* | ***Scenario 1***<br><br>***Increased adequacy to 2/3 of the poverty threshold <u>for current beneficiaries</u>*** | ***Scenario 2***<br><br>***Increased adequacy to 2/3 of the poverty threshold* and *<u>increased coverage</u> by 10 percentage points*** | ***Scenario 4***<br><br>***Increased adequacy to the poverty threshold***<br><br>***<u>for current beneficiaries</u>*** | ***Scenario 5***<br><br>***Increased adequacy to the poverty threshold* and *<u>increased coverage</u> by 10 percentage points*** | ***Scenario 3***<br><br>***Extreme poverty elimination*** *(benefit in the amount of 2/3 of the poverty threshold is given to all below that level)* | ***Scenario 6***<br><br>***Poverty elimination*** *(benefit in the amount of the poverty threshold is given to all below the poverty threshold)* |
|---|---|---|---|---|---|---|---|
| As % of the EU's yearly GDP (*Additional budgetary expenditure are relative to the baseline)* | 0.42% | +0.03 % | +0.10 % | +0.20 % | +0.41 % | +0.22 % | +0.95 % |
| The share of people at-risk-of-poverty (AROP) | 16.2 % | n.a. | n.a. | 13.9% | 12.4% | n.a. | 1.3%[108] |

[107] The impact on AROPE is not shown as AROPE is not simulated in EUROMOD. Calculating it would require making assumptions about the impact of the scenarios on the other two components of AROPE (severe material and social deprivation and quasi-joblessness).
[108] Estimation is different from 0 due to methodological reasons explained in Almeida V., De Poli S., Hernández A., Technical note on the assessment of reforms of minimum income schemes in the EU using EUROMOD, Joint Research Centre, 2022.

*Figure 9: Change in budgetary expenditure (as % of national GDP) that scenarios 1,2,4, and 5 would entail, per MS*




*Notes: EU27 stands for simple arithmetic average of the relevant percentages in MS; EU27w stands for weighted EU27 average source JRC simulations, DG EMPL elaboration*

### 5.1 Reform scenario 1: Increased adequacy to the 2/3 of the poverty threshold for current beneficiaries

Definition – In this scenario, the level of the minimum income benefit is increased to 2/3 of the poverty threshold (40% of median income) for each current beneficiary (coverage is unchanged).

Budgetary expenditure - At the EU level, moving the adequacy to 40% of the median income would entail an increase in budgetary expenditure of 0.03 percentage points of EU GDP, or EUR 4.4 billion. The increase would be particularly high in Romania, Greece, Croatia and Portugal, suggesting that the provision of benefits to these levels would provide a significant additional income for the poorest households. At the same time, the increase in budgetary expenditure that such a reform would entail is marginal in Austria, the Netherlands, Luxembourg, Denmark and Belgium, reflecting that adequacy levels of the minimum income benefits in these countries are higher than 2/3 of the poverty threshold.

Disposable income of people - The average equivalised disposable income of individuals with an income below 40% of the median income in the EU level would increase by 4.9% (in real terms) in this reform scenario. Looking at differences across EU Member States, it seems that this scenario would imply a significant increase in disposable income of households below 2/3 of the poverty threshold in Romania (close to 20% increase), Greece, Slovakia and Portugal (about 10% increase). These countries are characterized by comparatively medium levels of coverage, while benefit levels do not seem to be adequate vis-à-vis 2/3 of the poverty threshold. In Austria, Luxembourg, the Netherlands, Denmark and Belgium, this scenario does not lead to significant increases in disposable income, suggesting that the bulk of recipients are lifted above 2/3 of the poverty threshold by existing schemes.

The share of people having an income below 2/3 of the poverty threshold – Upon looking at the impact on the share of people below 2/3 of the poverty threshold, this scenario would lead to a significant decrease in Romania (-2.6 percentage points), Greece and Portugal (-2.1 percentage points), while in other Member States, such as Austria and Luxembourg, the change would be close to 0. This confirms results presented in the previous paragraphs, in particular indicating that in Romania, Greece and Portugal, an increase in adequacy would be effective at increasing households' disposable income. Overall, at the EU level, the share of people below 2/3 of the poverty threshold would decrease from 5% to 4.1% in this scenario.

### 5.2 Reform scenario 2: Increased adequacy to the 2/3 of the poverty threshold for current beneficiaries plus increased coverage by 10 percentage points

Definition – In this scenario, on top of an increase of the adequacy to 2/3 of the poverty threshold (40% of median income), the coverage rate increases by 10 percentage points (new recipients get benefits set at this level). This scenario shows the effect of reaching out further to those in need, either by enhancing the take-up of the benefit(s) or by relaxing the current eligibility criteria (e.g. age, assets, etc.). In this sense, coverage refers to the actual coverage of potential beneficiaries.

Coverage – In this reform scenario, coverage of minimum income benefits within the population in extreme poverty is increased by 10 percentage points in each Member State, compared to the baseline. The baseline simulations show that the coverage rate in the 27 Member States, on average, is about 40% of the populations living below 2/3 of the poverty threshold, with high heterogeneity across Member States. In Ireland and Cyprus, it is higher than 80%, and reaches 90% in France. Conversely, Poland, Estonia, Bulgaria and Latvia it is lower than 10%. Consequently, the 10 percentage points increase translates into very different absolute increases in the number of beneficiaries, depending on the initial coverage rate. For countries with very low initial coverage rates (e.g. Poland, Estonia, Bulgaria and Latvia), the number of beneficiaries would double, whereas in countries with high initial coverage rates (e.g. France, Cyprus, Ireland and Slovenia), the relative change would be much smaller.

Budgetary expenditure – At the EU level, this reform scenario is estimated to entail an increase in budgetary expenditure of 0.10 percentage points of EU GDP (or EUR 13.5 billion), compared to the baseline scenario (this estimated expenditure includes the costs of reform scenario 1). The amount would vary from 0.01 percentage points of GDP in Finland, where the initial coverage rate (within the population below 2/3 of the poverty threshold) is among the highest in the EU, to 0.19 percentage points of GDP in Romania, whose baseline coverage and the adequacy of benefits is among the lowest.

Disposable income of people in extreme poverty – The average income of individuals living below 2/3 of the poverty threshold in the EU level would increase by 11.6% in this reform scenario, compared to the baseline (of which 4.9% is attributable to increases in adequacy to current beneficiaries under Reform scenario 1). The disposable income of households below 2/3 of the poverty threshold in Romania, Greece, Slovakia and Portugal would increase substantially (due to medium levels of coverage and low levels of adequacy) while in Austria, Luxembourg, the Netherlands, Denmark and Belgium, reform scenario 2 does not to lead to significant increases in disposable income, suggesting that the bulk of recipients are lifted above 2/3 of the poverty threshold by existing schemes.

The share of people below 2/3 of the poverty threshold – This reform scenario would lead to additional reductions in all Member States, with significant reductions in Bulgaria, Italy and Spain. Overall, at the EU level, the share of people with incomes below 2/3 of the poverty threshold would decrease from 5% to 3.6% (compared to the baseline).

### 5.3 Reform scenario 3: Increased adequacy to the 2/3 of the poverty threshold with full coverage ('Extreme poverty elimination')

Definition – In this hypothetical reform scenario, minimum income benefit is provided to all households with an income below 2/3 of the poverty threshold, extending coverage beyond the first and second scenarios. This scenario illustrates a situation of full coverage for those whose incomes are below 2/3 of the poverty threshold in each country. It is provided for illustrative purposes to give orders of magnitude of the impact of eventually reaching out to all people living with an income below 2/3 of the poverty threshold, as a scenario of "full coverage" is by construction difficult to achieve in practice (since for instance there is usually a remaining level of non-take-up even in best performing Member States).

Coverage - This scenario effectively implies increasing the coverage rate within the population below 2/3 of the poverty threshold up to 100%[109]. In this scenario, all individuals have an income below that level, regardless of any other eligibility criteria, receive minimum income benefits such that their equivalised disposable income reaches 2/3 of the poverty threshold.

Budgetary expenditure –This scenario of "extreme poverty elimination" would entail an increase in budgetary expenditure of 0.22 percentage points of EU GDP (or EUR 31.4 billion), compared to the baseline scenario.

This scenario reflects both the increase in adequacy for those already receiving minimum income benefits and the increase in coverage by reaching all individuals below 2/3 of the poverty threshold (who are not currently entitled to minimum income benefit(s) in the baseline simulations). Results show a very high heterogeneity across countries. In most of the Member States, the increase in the resources needed is below 0.2 percentage points of GDP. As expected, the cost of implementing this reform would be particularly low in Finland,

[109] There are few country-specific cases where this coverage rate does not reach 100% in the simulations (Greece, Poland and Slovakia). This can be explained by a high prevalence of negative disposable incomes, which usually arise in the presence of self-employed individuals who might have to pay fixed social insurance contributions regardless of their level of self-employment incomes. The new complementary minimum income benefits treat individuals with negative disposable incomes as if they had zero incomes so that the top-up benefit does not go above the guaranteed minimum income level.

Ireland, Slovenia, Cyprus and France where coverage rates are highest and adequacy levels are above 2/3 of the poverty threshold. On the other hand, a larger amount of relative resources would be needed to implement this scenario in other countries, including Italy, Latvia, Hungary, Bulgaria, Lithuania, Spain, Romania and Croatia, where the increase in expenditure would vary between 0.3 and 0.6 percentage points of the respected national GDPs.

Disposable income of people – This scenario would imply substantial increases in disposable incomes of the population below 2/3 of the poverty threshold. The changes reflect both changes in the level of benefits for current beneficiaries as well as new entitlements for individuals not receiving benefits (i.e. those not fulfilling the existing minimum income eligibility rules or not taking up the benefits). At the EU-27 average level, this scenario would increase the disposable income of people below 2/3 of the poverty threshold by 27.6%, with high variations across Member States. In Hungary, Romania and Italy, this scenario would lead to substantial increases (more than 50%) in disposable income of individuals with incomes below 2/3 of the poverty threshold. On the other hand, in Ireland, Finland, Cyprus and France, this increase would be less than 10%.

The share of people below 2/3 of the poverty threshold – As expected, this scenario of "elimination of extreme poverty" would bring the share of people living below 2/3 of the poverty threshold close to zero in all countries[110]. This highlights that a major reduction in the share of people living below 2/3 of the poverty threshold requires both increases in adequacy levels in some Member States, as well as increased coverage rates to reach potentially excluded households from income support.

### 5.4 Reform scenario 4: Increased adequacy to the poverty threshold for current beneficiaries

Definition – In this scenario, the level of the minimum income benefit is increased to the poverty threshold for current beneficiaries (coverage remains unchanged compared to the baseline).

Budgetary expenditure - At the EU level, moving the adequacy to the poverty threshold for current beneficiaries would entail an increase in budgetary expenditure of 0.20 percentage points of EU GDP (or EUR 28.7 billion). Similar to scenario 1, the increase would be highest in Romania, Greece, Croatia and Portugal, suggesting adequacy levels are well below the poverty lines in these Member States.

Disposable income of people at-risk-of-poverty - At the EU-27 average level, the equivalised disposable income of individuals in poverty would increase by 5.9% (in real terms) in this scenario. Looking at differences across EU Member States, the ranking of Member States in this respect remains the same as for scenario 1. It would imply a significant increase (over 10 increase) in disposable income of households in poverty in Romania, Greece, Slovakia and Portugal. These countries are characterized by comparatively medium levels of coverage,

[110] Note that income losses (for example, from self-employment) are not compensated by the minimum income benefits therefore a few households with net negative incomes still remain below the poverty threshold. This explains why the extreme AROP rates are not exactly zero, in particular in EL, PL and SK.

while benefit levels are lower than the poverty threshold. The disposable income of those below the poverty threshold would increase the least in Austria, Luxembourg, the Netherlands, Denmark, Belgium, Estonia, Poland, and Latvia. This corroborates earlier results in particular in terms of relatively adequate levels of the benefits in Austria, Luxembourg, the Netherlands, Denmark and Belgium, and low coverage of these in Estonia, Poland and Latvia.

The share of people at-risk-of-poverty – At the EU-27 average level, the at-risk-of-poverty rate would decrease by 2.3 percentage points compared to the baseline (from 16.2% to 14.9%). The scenario would lead to a significant decrease in poverty in Member States where the baseline coverage is relatively high and the adequacy of minimum income benefits is relatively low (for example Greece, with 3.8 percentage point decrease in the at-risk-of-poverty rate). In Member States where coverage is low, increasing the benefit levels only for current beneficiaries would not significantly decrease the rate of poverty risk.

### 5.5 Reform scenario 5: Increased adequacy to the poverty threshold for current beneficiaries plus increased coverage by 10 percentage points

Definition – In this scenario, the coverage rate increases by 10 percentage points and adequacy is set at the poverty threshold (like in Reform scenario 4). This scenario shows the effects of reaching out further to those in need, either by enhancing the take-up of the benefit(s) or by relaxing the current eligibility criteria (e.g. age, assets, etc.). In this sense, coverage refers to the actual coverage of potential beneficiaries.

Coverage – In this reform scenario, coverage of minimum income benefits within the population in poverty is increased by 10 percentage points in each Member State, compared to the baseline. The baseline simulations show that the coverage rate in the 27 Member States, on average, is about 19.4% of the populations in poverty. The patterns of heterogeneity in terms of coverage across Member States remains very similar to scenario 2. France remains the country with the highest level of coverage rate (above 60%). Slovenia, Ireland and Cyprus present high levels of coverage (above 35%). On the opposite end of the scale, in Latvia, Estonia, Poland, Bulgaria, Hungary and Italy, the coverage rate is below 10%. Consequently, a 10 percentage points increase translates into very different absolute increases in the number of beneficiaries, depending on the initial coverage rate: for countries with very low initial coverage rates (e.g. Poland, Estonia, Bulgaria and Latvia), the number of beneficiaries would almost triple, whereas in countries with high initial coverage rates (e.g. France, Cyprus, Ireland and Slovenia), the relative change would be much smaller.

Budgetary expenditure – At the EU level, this reform scenario, in which the coverage of beneficiaries receiving benefits in the amount of the standard poverty threshold is increased by 10 percentage points, is estimated to entail an increase in budgetary expenditure of 0.41 percentage points of EU GDP (or EUR 57.9 billion), compared to the baseline scenario. (This estimated expenditure includes the costs of scenario 4). This change in expenditure, relative to the baseline, would be at or slightly above 0.5 % of the respective national GDPs in Greece, Germany, Spain and Italy.

Disposable income of people at-risk-of-poverty – The average equivalised disposable income of individuals in poverty at the EU level would increase (in real terms) by 12.7% in this reform scenario, compared to the baseline, of which 5.9% is attributable to increases in adequacy to current beneficiaries under Reform scenario 4. The disposable income of households in poverty in Romania, Greece, and Slovakia would increase substantially (due to medium levels of coverage and low levels of adequacy vis-à-vis the poverty lines) while in Austria, Luxembourg, the Netherlands, Denmark and Belgium, this scenario does not to lead to significant increases in disposable income, suggesting that the bulk of recipients are lifted out of poverty by existing schemes.

The share of people at-risk-of-poverty – This reform scenario, enlarging each current country-specific coverage rate by 10 percentage points, would lead to additional reductions in the poverty rates in all Member States. At the EU-27 average level, the at-risk-of-poverty rate in the baseline scenario is about 16.2%. Compared to the baseline, the decrease for the EU-27 average would be of 3.8 percentage points (an additional decrease of 1.5 percentage points compared to scenario 4). This scenario would bring to or below the at-risk-of-poverty rate in all EU Member States, with some of them still exhibiting higher at-risk-of-poverty rates than 16% (Bulgaria, Romania, Hungary, the Baltic States, Spain and Italy).

### 5.6 Reform scenario 6: Increased adequacy to poverty threshold with full coverage ('Poverty elimination')

Definition – In this hypothetical reform scenario, minimum income benefit is provided to all household members at-risk-of-poverty that were not covered in the fourth and fifth scenarios. This scenario illustrates a situation of full coverage for those whose incomes are below the poverty threshold in each country. It is provided for illustrative purpose to give orders of magnitude of the impact of eventually reaching out to all people living with an income below the poverty threshold, as a scenario of "full coverage" is by construction difficult to achieve in practice (since for instance there is usually a remaining level of non-take-up even in best performing Member States).

Coverage - This scenario effectively implies increasing the coverage rate within the population at-risk-of-poverty to 100%[111]. In this scenario, all individuals are currently at-risk-of-poverty, regardless of any other eligibility criteria, receive minimum income benefits such that their equivalised disposable income reaches the poverty threshold.

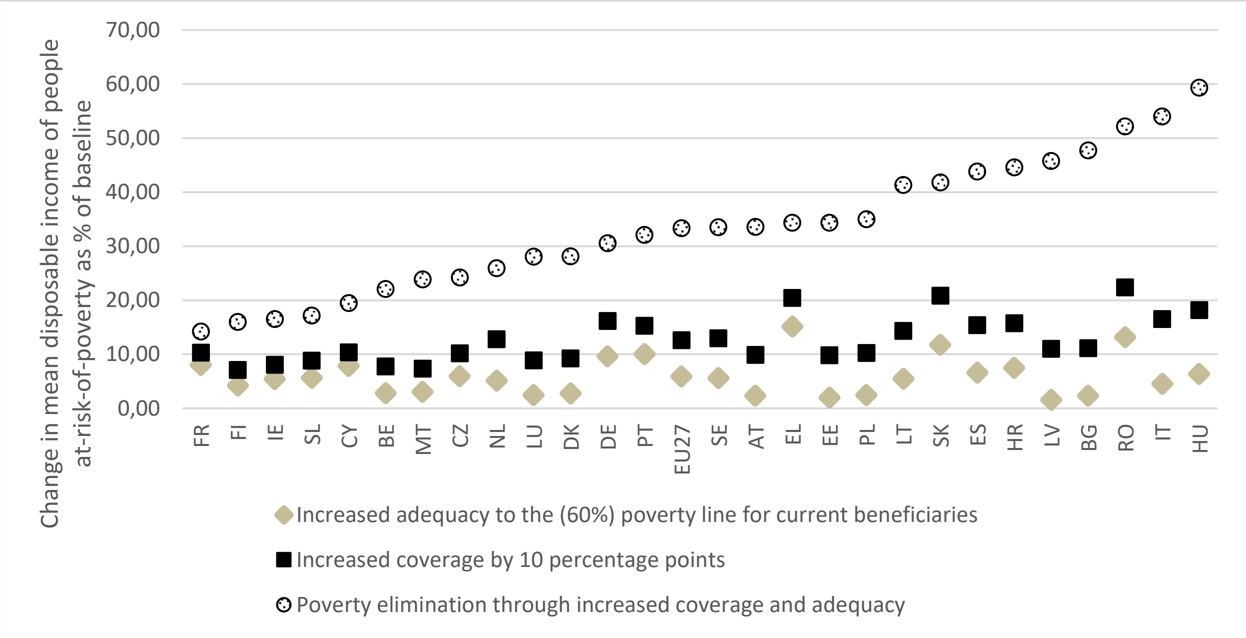
Budgetary expenditure –The Poverty elimination scenario would entail an increase in budgetary expenditure of 0.95 percentage points of EU GDP (or EUR 133.3 billion), compared to the baseline scenario. This amount is approximately 2.2 times the current expenditure at the EU level on minimum income benefits.

[111] There are few country-specific cases where this coverage rate does not reach 100% in the simulations (Greece, Poland and Slovakia). This can be explained by a high prevalence of negative disposable incomes, which usually arise in the presence of self-employed individuals who might have to pay fixed social insurance contributions regardless of their level of self-employment incomes. The new complementary minimum income benefit treats individuals with negative disposable incomes as if they had zero incomes so that the top-up benefit does not go above the guaranteed minimum income level.

Results in this respect show very high heterogeneity across Member States. The relative cost of 'Poverty elimination' would be high in Latvia, Bulgaria, Italy, Estonia, Spain, Lithuania, Croatia, Hungary and Romania, suggesting that minimum income benefits have low coverage and, or low adequacy measured against the poverty threshold. In these countries, the increase in expenditure for this scenario would be above 1 percentage point of the respected national GDPs, with the highest such estimate in additional expenditure of 1.7 percentage point in Latvia. In other Member States where coverage and adequacy are relatively high (Ireland, Finland, France), eliminating poverty through minimum income benefits would not incur significant additional costs.

Disposable income of people at-risk-of-poverty – The 'Poverty elimination' scenario would imply substantial increases in disposable incomes of the population below the poverty threshold. The changes reflect both changes in the level of benefits for current beneficiaries as well as new entitlements for previously excluded individuals (i.e. those not fulfilling the existing minimum income eligibility rules or not taking up the benefits). At the EU-27 average level, this scenario would increase the disposable income of people at-risk-of-poverty by 33%, with high variation across Member States. In Hungary, Romania and Italy, this scenario would lead to substantial increases (more than 50%) in disposable income of individuals at-risk-of-poverty, while in France, Finland, Ireland, and Slovenia, this increase would be less than 20%.

*Figure 10: Change in disposable income of people at-risk-of-poverty (relative to the baseline scenario)*




*Source: JRC elaboration using EUROMOD.*

The share of people at-risk-of-poverty – As expected, this scenario would bring the at-risk-of-poverty rates close to zero in all countries[112]. Results for this scenario overall suggest that a large reduction in the prevalence of poverty risk would require both increased adequacy levels as well as increased coverage rates in many Member States.

[112] Note that income losses (for example, from self-employment) are not compensated by the minimum income benefits therefore a few households with net negative incomes still remain below the poverty threshold. This explains why the extreme AROP rates are not exactly zero, in particular in EL, PL and SK.

## 6. Monitoring at Union level

The role of the European Semester and of mutual learning under the Open Method of Coordination in promoting and monitoring the implementation of the active inclusion Recommendation is well acknowledged[113]. Multilateral surveillance and exchanges of good practices among EU Member States are particularly highlighted as a tool for monitoring implementation and facilitating reform processes. The stakeholder consultation (see details in Annex 11) highlighted the need for regular and robust monitoring and reporting on the implementation of the minimum income. This reflects the call of the Council Conclusions on "Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond" for strengthening the exchange of best practices, develop further the existing benchmarking framework and prepare periodically a joint report to analyze and review progress achieved in the development of minimum income protection in the Member States.

In 2018, the Social Protection Committee established a benchmarking framework for minimum incomes entailing a selection of outcome and performance indicators to assess the performance of national systems accompanied with a policy lever indicator for the adequacy of income support and several common principles for other key elements of policy design. This benchmarking framework has fed into the analysis of minimum income in the context of the European Semester. The 2022 Joint Social Protection Committee – European Commission report on minimum income concluded that the existing benchmarking framework on minimum income has provided a valuable basis for elaborating the report and points out that a regular update will allow to review potential areas and further expand in different dimensions (such as eligibility criteria and access to services)[114]. Therefore, it appears key to continue work in the Social Protection Committee to enhance the availability and comparability of relevant indicators and data to monitor policy developments in minimum incomes and corresponding policy measures.

As it has been the practice since the 2018 Joint Employment Report, the relevant indicators of the benchmarking framework are systematically used for monitoring progress in the context of the European Semester and underpin, where appropriate, the proposals for country-specific recommendations to the Member States. This provides a basis for a mutual framework for monitoring policy developments as proposed by this Recommendation, including for the purpose of multilateral surveillance.

Beyond the European Semester monitoring process, a series of peer reviews have been held under the Open Method of Coordination. These peer reviews, organized on the topic of minimum income and active inclusion, initiated the Minimum Income Network (MINET) as a forum for structured dialogue among Member States to facilitate more regular exchange of practices and support improvements of policy design. In line with the Council Conclusions,

[113] Evaluated in the Commission Staff Working Document of 20 February 2013, Follow-up on the implementation by the Member States of the 2008 European Commission recommendation on active inclusion of people excluded from the labour market – Towards a social investment approach, SWD(2013)39, and of 26 April 2017, On the implementation of the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market, SWD(2017)257 final.

[114] Joint Social Protection Committee–European Commission report on minimum income, 2022.

the Social Protection Committee mandated MINET as its working group to reinforce mutual learning, disseminate results and good practices among Member States and support the preparation of the 2022 Joint Social Protection Committee–European Commission report on minimum income.

# 7. Use of EU funds

The Union funding instruments, namely the European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD), support a range of actions promoting social inclusion and combating poverty.

Under the respective thematic objective of the ESF in the 2014-2020 programming period, investments have been directed primarily to support active inclusion measures with a particular focus on persons further away from the labour market, improving access to services, tackling discrimination and fostering equal opportunities and supporting social economy. These measures have enabled Member States to integrate the provision of ALMP with social services. In total, EUR 26.9 billion have been committed to this end under 138 operational programmes. Overall, Member States allocated around 22% of their total ESF funding to support social inclusion, beyond the minimum requirement of 20%.

Complementarily, FEAD helps address the worst forms of poverty in the Union, such as food deprivation, child poverty and homelessness. With a total allocation of EUR 4.5 billion in the 2014-2020 programming period, FEAD provides for food and/or basic material assistance and accompanying measures, such as educational activities to promote healthy nutrition and advice on food preparation and storage, facilitating access to healthcare, psychological and therapeutic support, skills programmes, advice on managing a household budget, social and leisure activities and provision of legal services.

Financed through the Employment and Social Innovation (EaSI) Programme, the Commission launched in 2020 a call to support innovative and experimental projects aimed at putting in place comprehensive systems to support people in (the most) vulnerable situations. Nine projects (with a total budget of EUR 9.6 million) were selected, representing a wide geographic coverage, to test innovative approaches delivering upon the principle 14 of the European Pillar of Social Rights on minimum income. They provide for the integrated delivery of the three strands: adequate income support with labour market activation and effective access to enabling goods and services.

The European Social Fund Plus (ESF+) merges the above-mentioned instruments and remains the main Union instrument for investing in people and supporting the implementation of the European Pillar of Social Rights. With a budget of almost EUR 99.3 billion for the period 2021-2027, the ESF+ maintains a strong focus on social inclusion, earmarking a dedicated allocation of at least 25% of the shared management resources for this purpose and at least 3% for addressing material deprivation[115]. The ESF+ will continue to support Member States' efforts to break down barriers to employment, with active and preventive labour market measures, including early identification of needs, job search assistance, guidance and training. The Fund can act both on persons and systems, providing investments to modernize social services and public employment services, while supporting the socio-economic integration of people further away from the labour market and their access to essential services.

[115] Regulation (EU) 2021/1057, Article 7.

Through investments in infrastructure and equipment projects in the areas of education, training and lifelong learning, employment, housing, health, social and childcare, the European Regional Development Fund (ERDF) supports Member States in the provision of access to quality social services. In the 2014-2020 programming period, with nearly EUR 7 billion allocated to education, training and lifelong learning and EUR 3.4 billion to employment and labour mobility, as well as EUR 13.8 billion support to improving access to quality social services, the ERDF has contributed to creating opportunities for social and economic integration, especially of disadvantaged and vulnerable groups. With the 2021-2027 programming period, the ERDF continues to foster equal access to inclusive and quality services, particularly for marginalized groups. Through supporting integrated actions including housing, health care and long term care, childcare, and digital equipment for skills development, the ERDF helps ensure effective access to enabling services, especially for vulnerable and disadvantaged people.

Furthermore, the Technical Support Instrument (TSI) provides tailor-made technical expertise to the Member States to design and implement reforms. The support is demand driven and does not require co-financing from Member States. Support under TSI can be provided among others in the area of social benefits and services. The Commission supports Member States with the adaptations of their social protection systems in various ways and during all phases of the reform process. The support provided ranges from measures to strengthen administrative capacity to the review of benefit schemes, and an improved and better-coordinated delivery of social services. The number of ongoing TSI projects currently supported in this policy area is 35, with a dedicated total budget of just over EUR 16 million.

The Recovery and Resilience Plans include important measures on social protection. According to the analysis of the Commission[116], 216 measures accounting for around EUR 13.4 billion in grants and loans are linked to social protection and inclusion. Recovery and Resilience Plans cover a broad range of reforms and investments to strengthen Member States' social protection systems in relation to their effectiveness, quality and resilience, depending on country-specific needs as highlighted in the most recent country-specific recommendations. For example, a number of social protection investments in the plans focus on upgrading, expanding or improving the social services network, and on the inclusion of vulnerable groups. Certain investments also focus on fighting energy poverty and on improving access to essential services for the poorest households. The Facility also encourages Member States to introduce reforms that create the necessary institutional environment for more effective social protection systems. Some measures aim to increase the effectiveness and adequacy of social benefits, including minimum income.

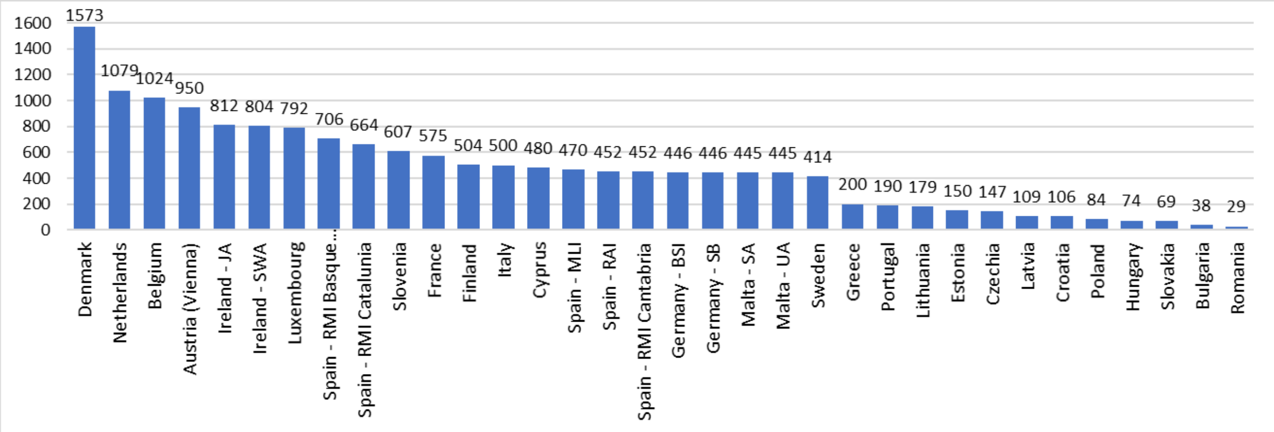
[116] Link to the Recovery and Resilience Plans of 22 Member States that have been adopted at the time of the publication of this analysis: https://ec.europa.eu/economy_finance/recovery-and-resilience-sboard/assets/thematic_analysis/sboard_thematic_analysis_social_protection.pdf.

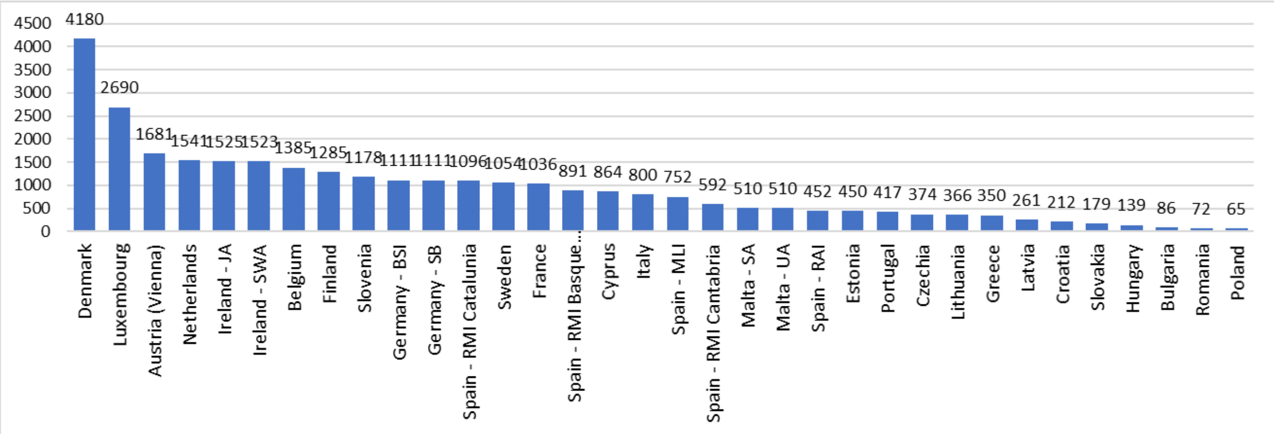
# Annexes

## ANNEX 1: List of minimum income benefits

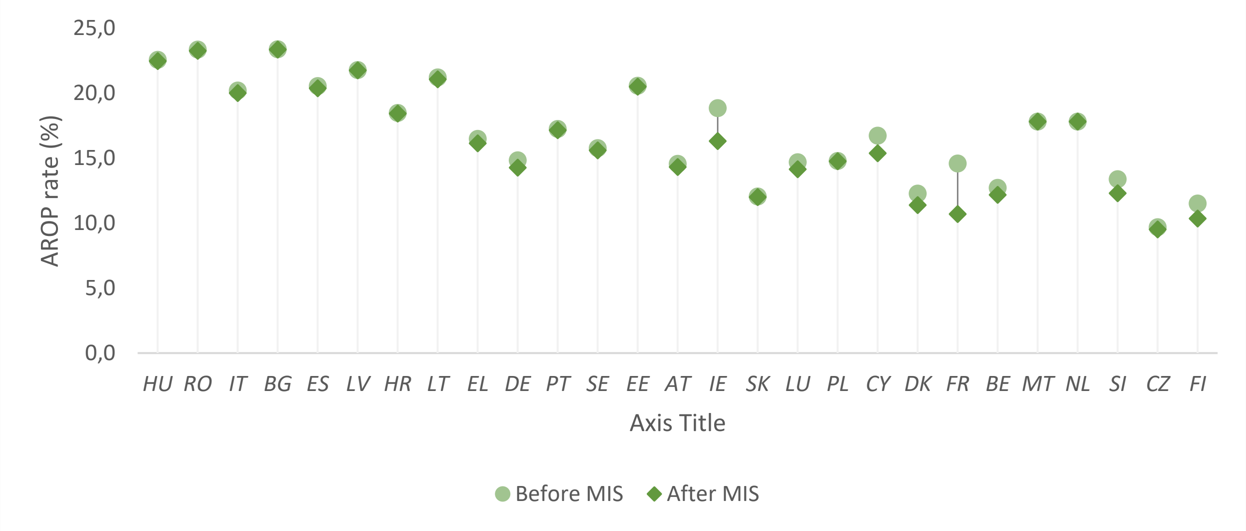
| Country | Name in EUROMOD | |
|---|---|---|
| | **English** | **Original language** |
| AT | Minimum Income Benefit | *Bedarfsorientierte Mindestsicherung Wien* |
| BE | Income support | *Leefloon / Revenu d'integration sociale* |
| BG | Monthly social assistance allowance (guaranteed minimum | *Месечна социална помощ поради ниски доходи* |
| CY | Guaranteed Minimum Income | *Ελάχιστο Εγγυημένο Εισόδημα* |
| CZ | Social Assistance Benefit | *Dávky vhmotné nouzi* |
| DE | General social assistance | *Sozialhilfe* |
| | Unemployment benefit II | *Arbeitslosengeld II* |
| DK | Social assistance | *Kontanthjælp; Aktivering af kontanthjælpsmodtagere;* |
| EE | Subsistence benefit (incl.housing component) | *Toimetulekutoetus* |
| EL | Guaranteed Minimum Income | *Ελάχιστο Εγγυημένο Εισόδημα* |
| ES | Regional Minimum Income Schemes | *Rentas Mínimas de Inserción* |
| | National Minimum Income Scheme | *Ingreso Mínimo Vital* |
| FI | Local authority income support | *Toimeentulotuki* |
| FR | Solidarity Labour Income | *Revenu de solidarité active* |
| | Activity allowance | *Prime d'activité* |
| HR | Subsistence benefit | *Zajamčena Minimalna Naknada* |
| HU | Social Assistance Benefit: Stand-by allowance | *Szociàlis Segèlyek* |
| IE | Basic Supplementary Welfare Allowance | *Soláthraíonn Liúntas Leasa Forlíontach* |
| | Jobseeker's allowance | *Liúntas Cuardaitheora Poist* |
| IT | Citizenship income | *Reddito di Cittadinanza* |
| LT | Social assistance | *Socialinės paramos išmoka* |
| LU | Social inclusion income | *Revenu d'inclusion sociale* |
| LV | Guaranteed minimum income | *Garantētā minimālā ienākuma pabalsts* |
| MT | Social assistance | *Għajnuna Soċjali* |
| | Unemployment Assistance | *Għajnuna għal-Diżimpjieg* |
| NL | Social assistance | *Bijstand* |
| PL | Temporal social assistance | *Pomoc społeczna (zasiłek okresowy)* |
| PT | Social integration income | *Rendimento social de inserção ou mínimo garantido* |
| RO | Guaranteed Minimum Income | *Venitulminim garantat* |
| SE | Social assistance and Maintenance support for elderly | *Ekonomiskt bistånd and Äldreförsörjningsstöd* |
| SI | Social assistance | *Socialna pomoč* |
| SK | Material Need Benefit | *Pomoc v hmotnej núdzi* |

**ANNEX 2**: **Monthly nominal level (in EUR) of minimum income benefits** for single adult households (top graph) and households with two adults plus one child (bottom graph), all minimum income benefits



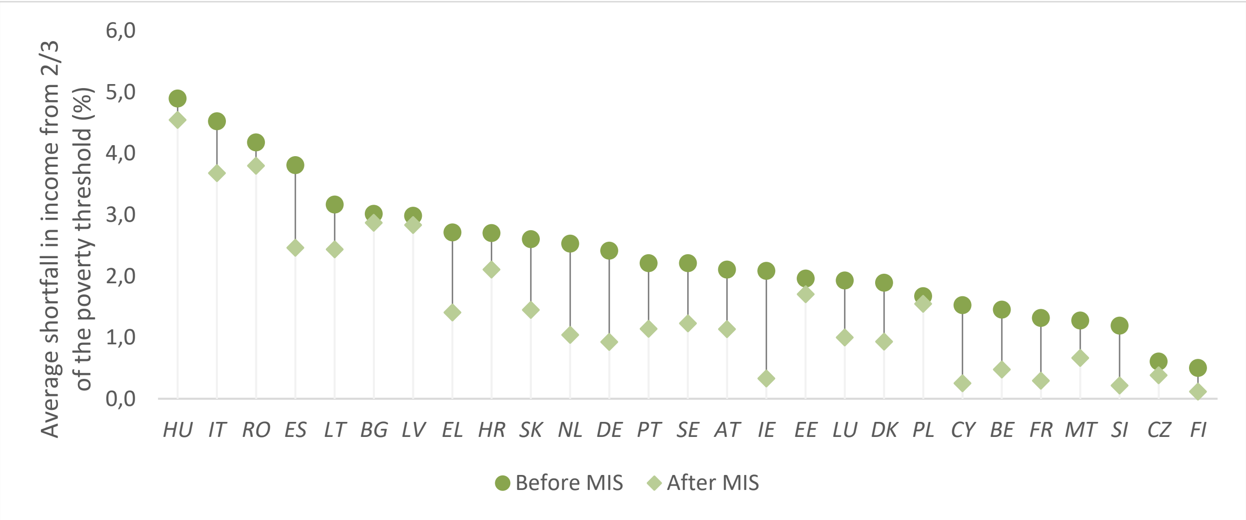



**ANNEX 3a: At-risk-of-poverty (AROP) rates before and after minimum income benefits (MIS)**




*Notes: Figure1 shows at-risk-of-poverty rates before and after minimum income benefits are provided for all EU Member States, using the standard poverty criterion. This indicator measures poverty incidence, i.e., the share of population below the poverty threshold in each country. Results shown can be interpreted by differences across countries both in terms of the adequacy, coverage and take-up of minimum income benefits In countries where two minimum income benefits are considered in this assessment, the joint impact of both benefits is reflected in the graph. The poverty threshold is anchored to the counterfactual scenario where no minimum income benefits are in place. Source: JRC elaboration using EUROMOD.*

**ANNEX 3b: Depth of poverty** before/after minimum income benefits (%), 2/3 of poverty threshold

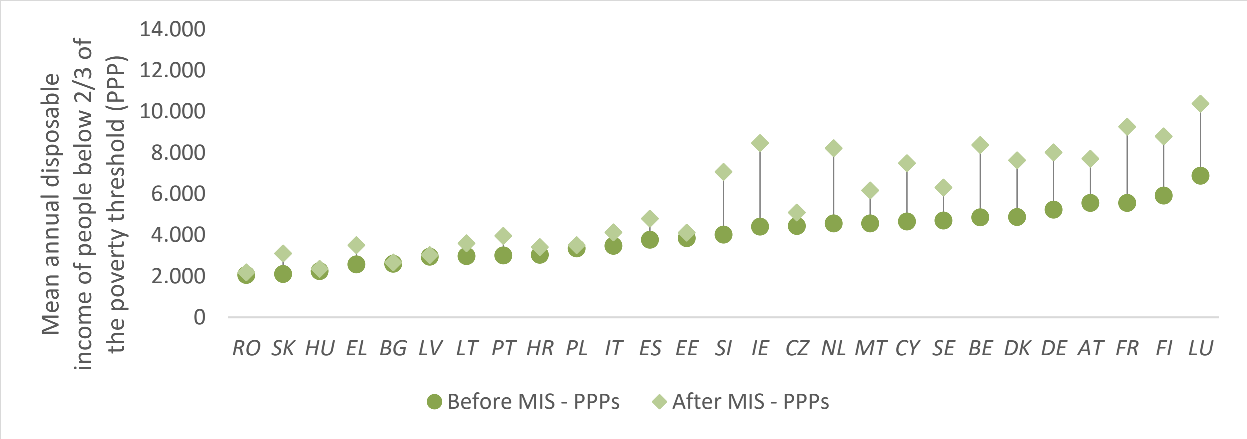



*Notes: Annex 3 shows relative at risk of poverty gaps before and after income support for all EU Member States, using the extreme poverty criterion. This indicator measures the intensity of poverty, i.e., the mean shortfall in income from 2/3 of the poverty threshold, in percentage of the latter.[117] In countries where two minimum income benefits are considered in this*

[117] Note that this measure of the poverty gap differs from the median at-risk-of-poverty gap used by EUROSTAT. For detailed methodologies, see Almeida V., De Poli S., Hernández A., Technical note on a

*assessment, the joint impact of both benefits is reflected in the graph. The poverty threshold is anchored to the counterfactual scenario where no minimum income benefits are in place. Source: JRC elaboration using EUROMOD.*

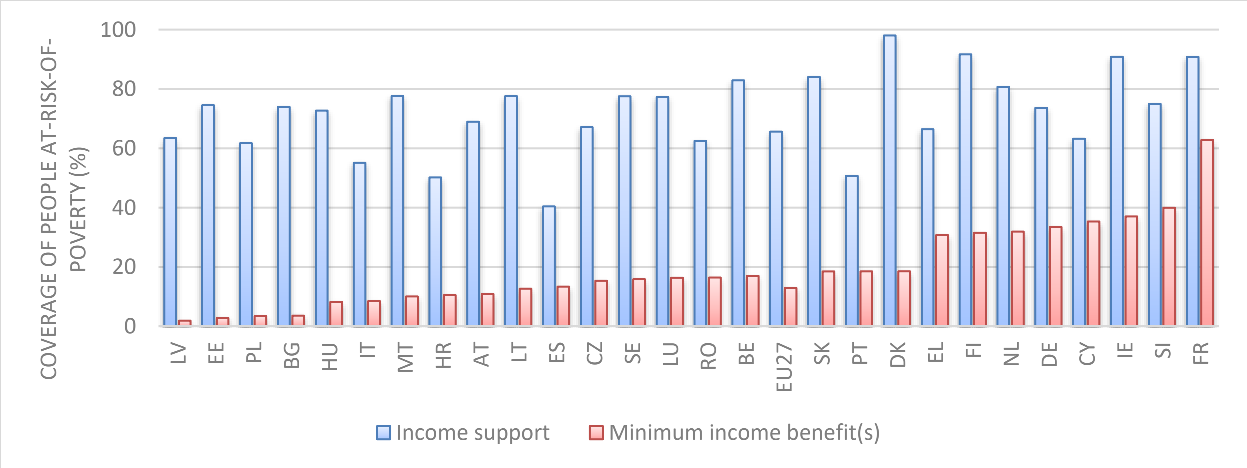
**ANNEX 4: Disposable income of people below 2/3 of the poverty threshold** before and after minimum income benefits are paid




*Notes: In countries where two minimum income benefits are considered in this assessment, the joint impact of both is reflected in the graph. Poor individuals are those at-risk-of-poverty before minimum income benefits are paid. Source: JRC elaboration using EUROMOD and Eurostat data on price levels (2019).*

**ANNEX 5: Comparison in the coverage of all income support vs minimum income benefits**

The figure shows the gaps in coverage of all income support (i.e. all benefits received) and those of the minimum income benefits only. It illustrates that in the group of countries where the coverage of minimum income benefits is lowest (Latvia, Estonia, Poland, Bulgaria, Hungary, Italy, Malta, Croatia), the extent to which other social benefits cover people who are at-risk-of-poverty but do not receive minimum income benefits varies to a large degree.

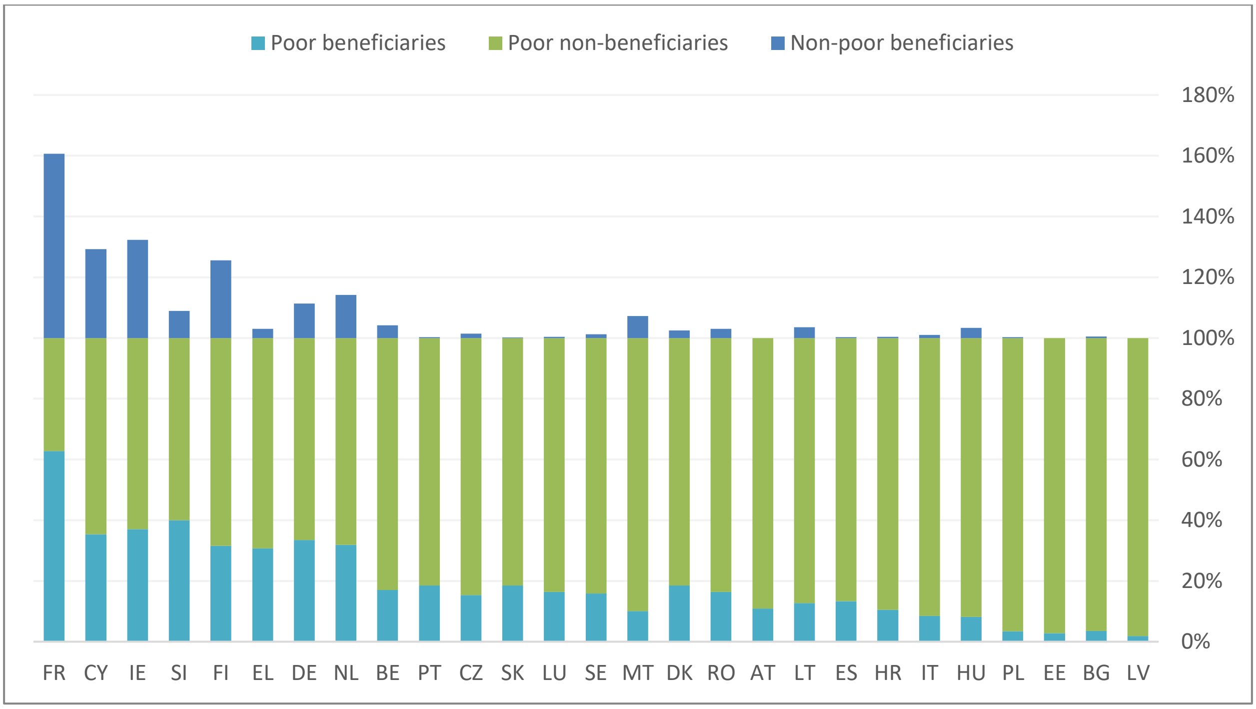



*Source: DG EMPL elaboration using the SPC-Commission Minimum income benchmarking and JRC's note[118]*

calibrated EUROMOD baseline for assessing the effectiveness of minimum income schemes in the EU, Joint Research Centre, 2022.

[118] Almeida V., De Poli S., Hernández A., Technical note on a calibrated EUROMOD baseline for assessing the effectiveness of minimum income schemes in the EU, Joint Research Centre, 2022.

**ANNEX 6: Targeting of benefits -** Individuals according to poverty status and minimum income beneficiary status ('poor' in graph labels means individuals with equivalised income at or below the poverty line; 'non-poor' means individuals above this threshold)



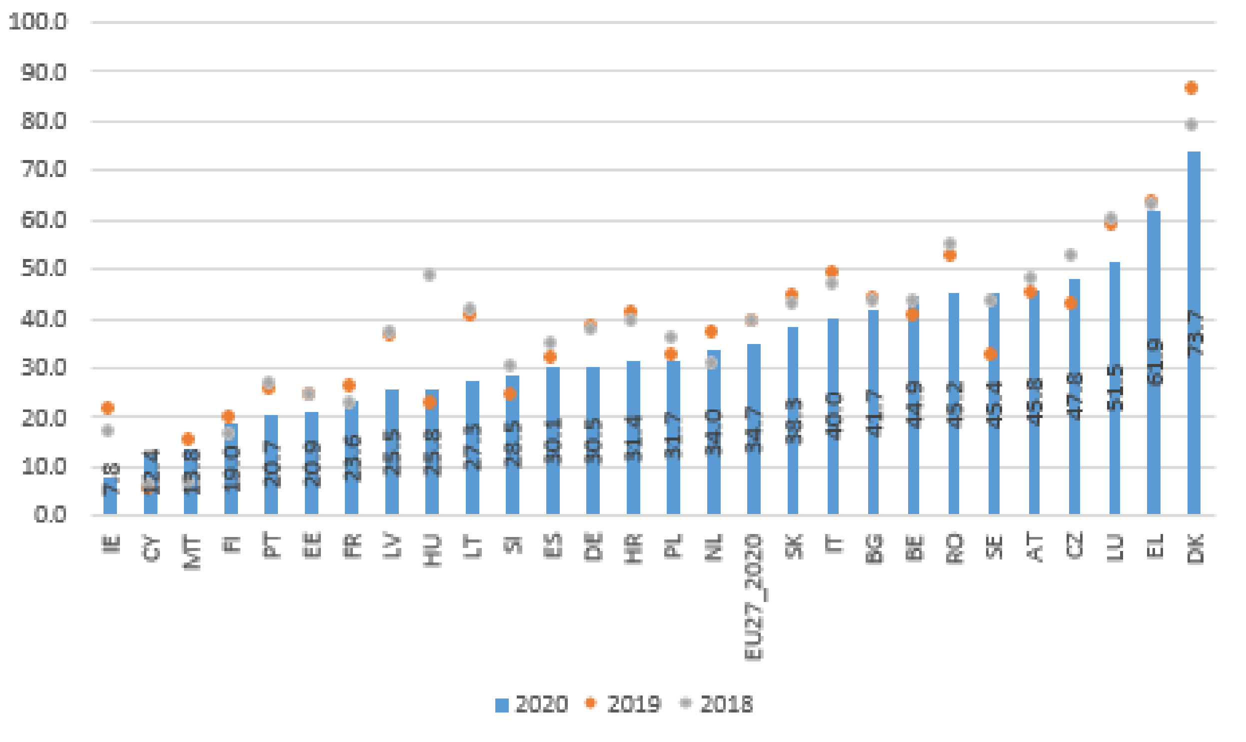

*Notes: The sum of 'poor' beneficiaries and 'poor non-beneficiaries' equals the total population at-risk-of-poverty. In countries where two minimum income benefits are considered in this assessment, the joint impact of both is reflected in the graph. Source: JRC elaboration using EUROMOD.*

## ANNEX 7: Gap in housing cost overburden rate

The gap in housing cost overburden rate119 stands at 33 percentage points on average and has slightly dropped in the EU since 2015, with a significant difference among the countries. In some Member States it is below 20 p.p. (FI, MT, CY) or even below 10 p.p (in IE), while in other countries it is above 60 p.p. (like in EL and DK). This gap can relate to various factors, such as different systems of housing support provisions and divergence of overall housing price developments in the countries.

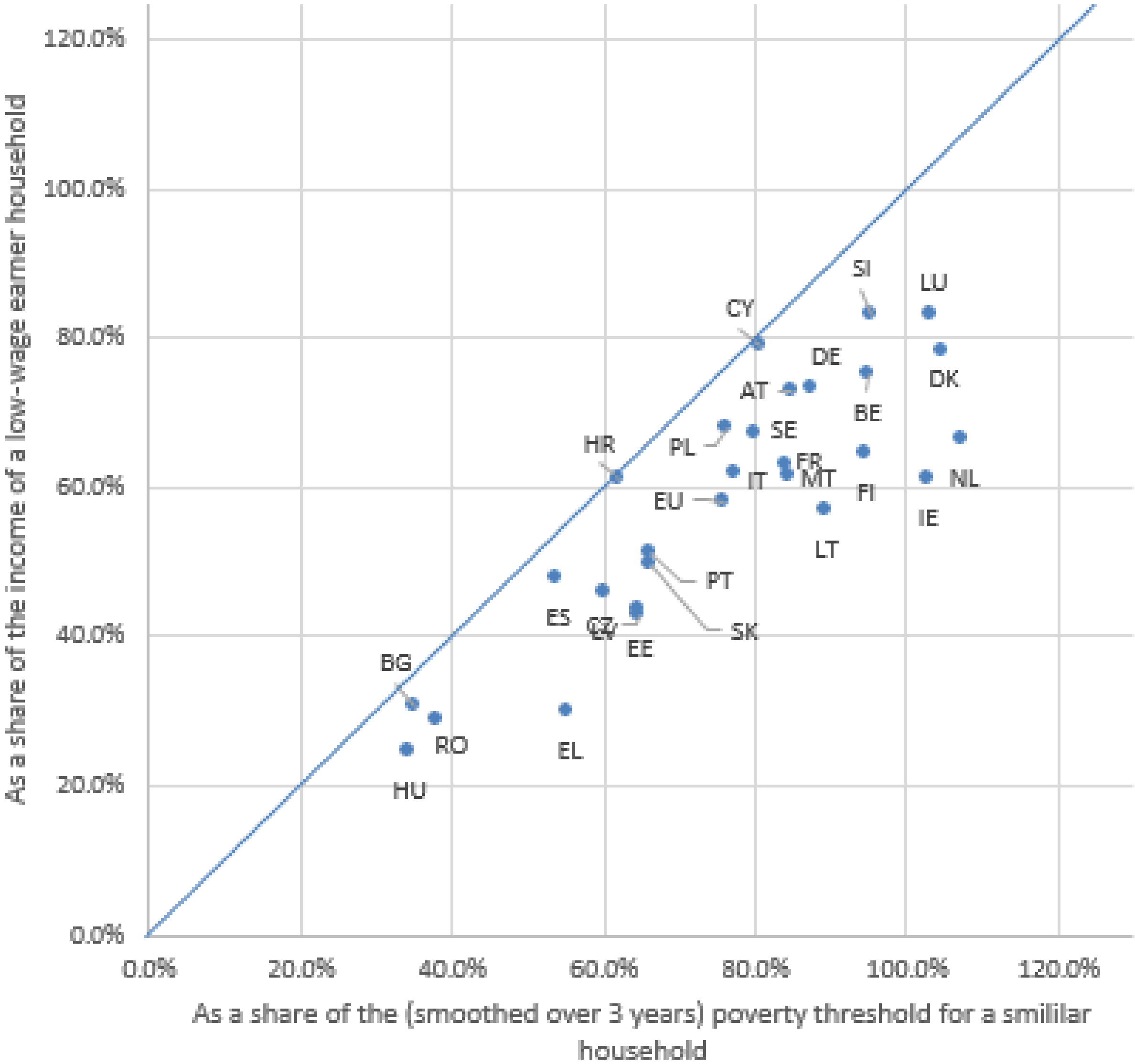
[119] Gap in p.p. between the share of individuals (18-64) at risk of poverty from (quasi-)jobless households and the share of individuals (18-64) not at risk of poverty from non-(quasi-)jobless households.

*Gap in housing cost overburden rate (18-64)*



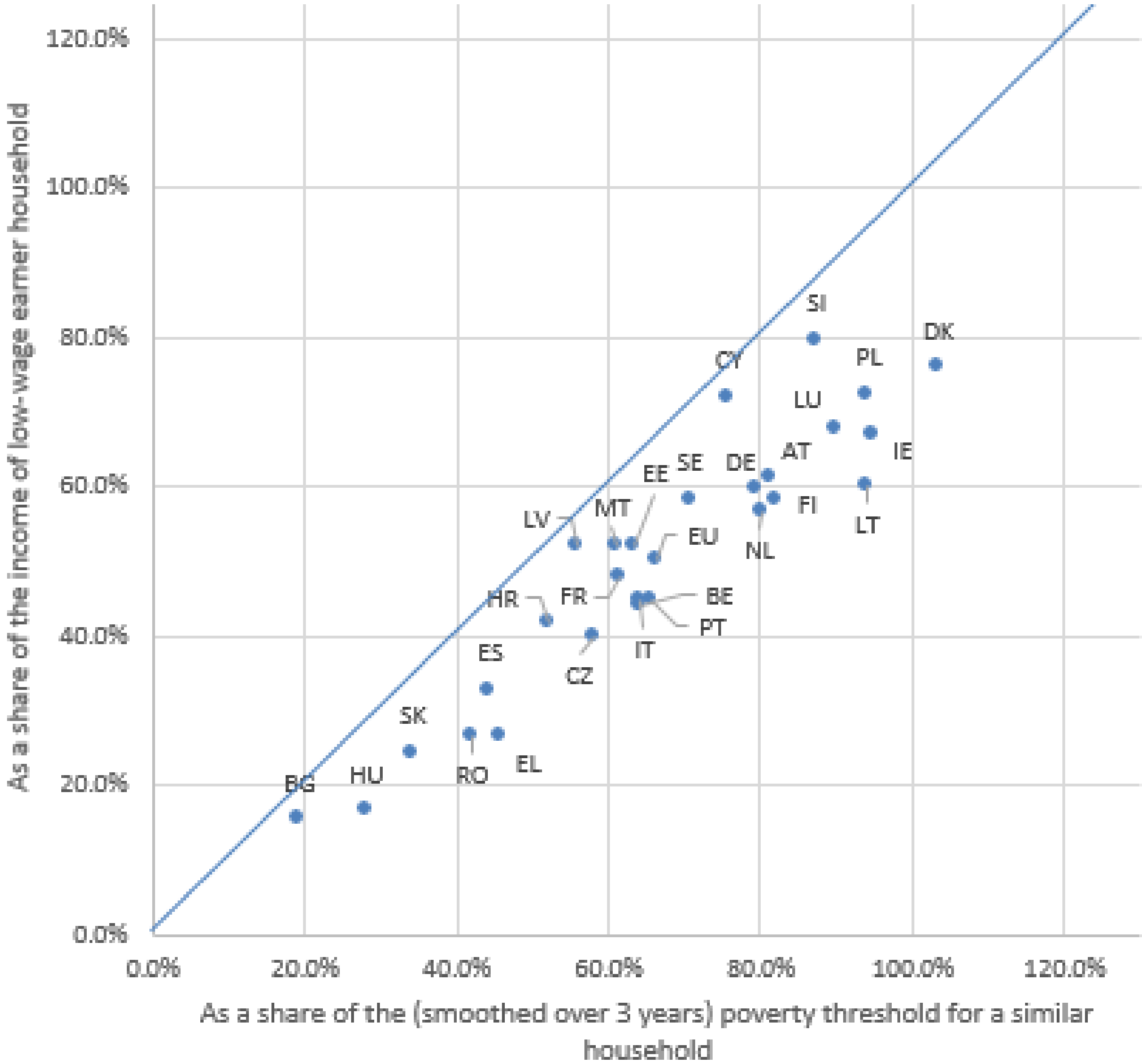

*Note: There is a break in DE data - and thus also in EU27 data - for 2020. Source: DG EMPL computation on Eurostat data.*

**ANNEX 8:** Net income of a single parent (1 adult minimum income recipient and 1 child) as % of at-risk-of-poverty threshold (smoothed over three years) for a similar household and as a % of the income of a household of 1 adult (low-wage earner) and 1 child (income year 2019)




*Note: EU computed as a simple average. Housing costs assumed to be 18% of average wage. AROP threshold adapted (equivalisation) for this household type (x 1.3). Child is assumed to be 2 years old. Data for IT is for income year 2020 (instead of 2019).. Source: own computation on Eurostat data and OECD data.*

**ANNEX 9:** Net income of a household of 2 adults (minimum income recipients) and 2 children as % of at-risk-of-poverty threshold (smoothed over three years) for a similar household and as a % of the income of a household of 2 adults (low-wage earners) and 2 children (income year 2019)

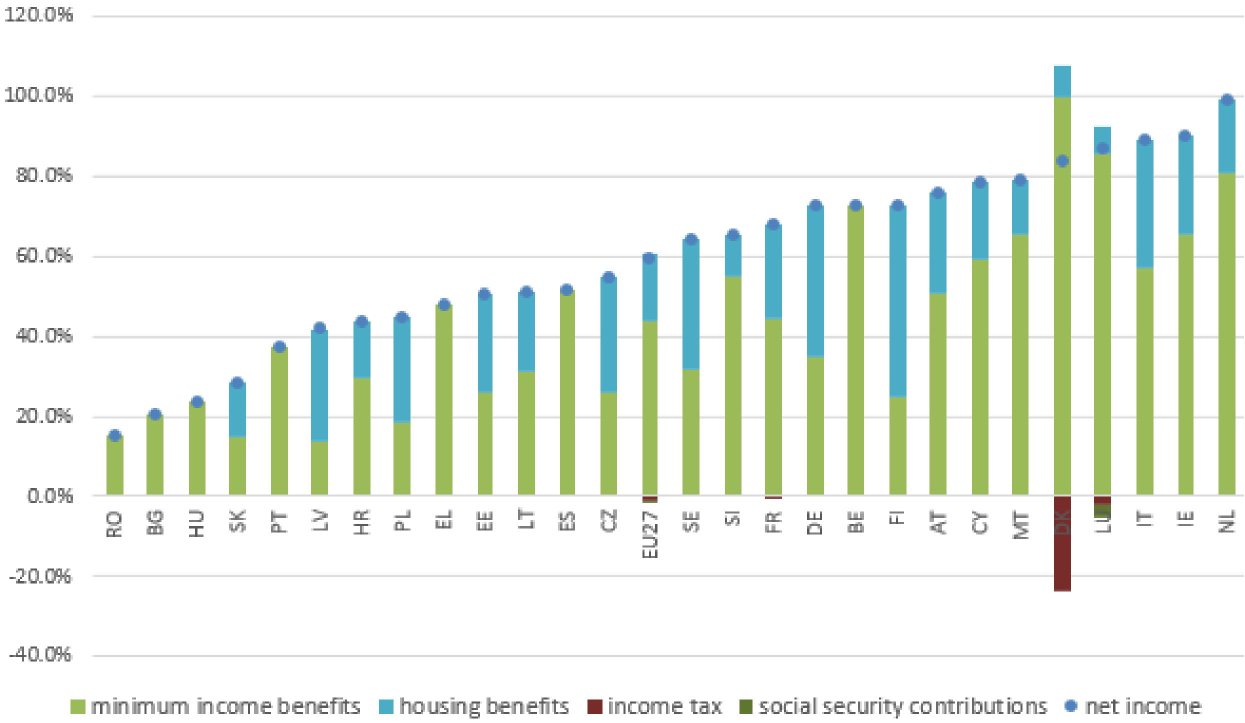



*Note: EU computed as a simple average. Housing costs assumed to be 19% (and not 18.6%, because of data availability) of average wage. AROP threshold adapted (equivalisation) for this household type (x 2.1). Children are assumed to be 2 years old and 4 years old. Data for IT is for income year 2020 (instead of 2019). Source: own computation on Eurostat data and OECD data. CZ data to be updated with recent revision agreed between OECD, European Commission and CZ*

## ANNEX 10: The composition of the income of minimum income beneficiaries

**By construction, the income of minimum income beneficiaries is on average mostly composed of minimum income benefits, but also of other benefits,** in particular housing benefits. When looking at the decomposition of the net income by components, it appears that at EU level (not weighted average) the minimum income benefits cover 44% of the poverty threshold (or 73% of the total income), housing benefits 17% of the poverty threshold (or 28% of the total income) and income tax 1% of the poverty threshold (or 2% of total income). In some Member States, the main income component is actually the housing benefit (Czechia, Latvia, Poland, Finland, Germany) and there are a few Member States where housing support is not provided through benefits in monetary terms (Romania, Bulgaria, Hungary, Portugal, Greece, Spain and Belgium). Income tax is significant in Denmark and Luxembourg only.

*Net income of minimum income recipients (single adult) as % of at-risk-of-poverty threshold (smoothed over three years) – decomposition by different benefits (income year 2019)*




*Source: COM-SPC Minimum income report; Note: EU27 computed as a simple average. Data for IT is for income year 2020 (instead of 2019). For DE, there is a break in the SILC2018-2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for the income year 2019. Housing costs are assumed to be of 11% of average wage. Source: own computation on Eurostat data and OECD data.*

## ANNEX 11: Synopsis report on consultation with stakeholders

This synopsis report gives an overview of the consultation process carried out over periods of 21 January to 5 May 2022 on the initiative, and between 14 January and 30 November 2020 on the European Pillar of Social Rights Action Plan.

The goal of the consultations was to collect views from stakeholders on the need for EU action to promote overall effectiveness of the minimum income in alleviating poverty and social exclusion, as well as on the type of action that could be envisaged, including its possible scope and content, based on their experience and existing data. In line with the Better Regulation Guidelines, and in particular its Tool#4 Evidence-based better regulation and tool #51 consulting stakeholders, the consultations aimed to reach out to the wide variety of stakeholders to gather their views and opinions.

TARGETED CONSULTATIONS

Targeted consultations took place between 28 January and 5 May 2022, with the following stakeholders:

EUROPEAN SOCIAL PARTNERS

**Dedicated hearing** with social partners took place on 24 March 2022. Social partners delegation consisted of 47 representatives, including the EU level cross-industry organisations: the Confederation of European Business (BusinessEurope), the Association of Crafts and SMEs in Europe (SMEunited), the European Trade Union Confederation (ETUC), and European Public Services Union (EPSU). Representatives of social partners expressed **general support** for the initiative aimed at strengthening the current EU framework on minimum income. Employers reiterated their support for the initiative that would provide guidance while respecting national competences in designing and implementing social protection systems. They highlighted the key role of public services, such as education and training, aimed at labour market integration of the beneficiaries. Both sides emphasised the need for strengthening active inclusion approach that integrates income support with social services and inclusive labour markets. The trade unions suggested that the rights-based approach of the principle 14 of the European Pillar of Social Rights should be reflected in the recommendation. Both sides emphasized the important role of public administration at local level in social inclusion and labour market participation, in particular public employment and social services.

CIVIL SOCIETY ORGANISATIONS

European Civil Society Organisations (CSO) were consulted through a dedicated **strategic dialogue**, on 28 January 2022. 46 participants representing 35 organisations participated in the dialogue. Most Civil Society Organisations (CSOs) suggested that a more binding act, such as a framework directive, could have been more effective. In the same time, they expressed **appreciation for the Commission's initiative**. Concerning access to the schemes, many CSOs mentioned too strict eligibility criteria (those related to means test, age or residence) hindering the coverage. They listed punitive nature of activation conditions, discrimination and stigmatisation as the reasons for non-take-up. Individualisation of rights was suggested as a means to tackle gender and age related challenges hindering both access and adequacy. Many CSOs reiterated that the minimum income benefits should be considered as a part of a broader social protection and tax systems and that various benefits should be mutually reinforcing. Several representatives welcomed the Commission's approach based on three strands of active inclusion. They underlined that access to enabling services is key, however the services need to be adequately funded to be effective.

SPC AND EMPLOYMENT COMMITTEE (exchange of views)

A joint **exchange** with SPC and Employment Committee took place on 1 April 2022. Overall, the Delegates were **supportive of an EU level initiative** aimed at strengthening the current framework. Many Delegates recalled that minimum income is part of a broader social protection systems that are designed at national level, and that the national competence and diversity of social protection systems should be respected. Many Delegates stated that such an initiative will not only contribute to combatting poverty, but also to upward social convergence, also functioning as a stabiliser in times of crises, which has been seen during the COVID-19 pandemic. The Delegates confirmed the adequacy of a comprehensive approach in addressing poverty and social exclusion, namely through providing not only cash support, but also through focusing on incentivising labour market integration and through combining social and enabling services.

PUBLIC EMPLOYMENT SERVICES NETWORK (PES Network)

Thematic debated with PES Network representatives[120] took place on 5 May 2022. Overall, the participants agreed with the challenges identified and building blocks proposed by the Commission. Representatives of the PES Network pointed to the importance of **cooperation between various services' providers** supporting minimum income beneficiaries, such as minimum income authorities, social services and PES. They indicated that mutual learning and exchanges of good practices or standards on collaboration, including data sharing, would be useful for the respective services' providers.

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

Thematic debated with the European Economic and Social Committee took place on 25 February 2022. The EESC Delegates, who had previously urged for an EU action in this field, **supported the Commission initiative**[121]. Some participants considered the initiative as a step in the right direction, potentially leading to a more binding legal instrument. Many participants reiterated the importance of ensuring the rules of subsidiarity and proportionality of the EU action. While guiding principles and benchmarks should be developed at the EU level, Member States are best placed to implement the measures, given their specificities and the fact that minimum income is parts of broader social protection systems consisting of other benefits. The participants supported the proposed active inclusion approach. EESC members recalled the connection between minimum wage and minimum income and urged for ensuring the link.

EXPERTS

Thematic debate with experts in the field of minimum income took place on 17 February 2022. Academics and researchers representing universities, research and financial institutions recalled that **COVID-19 crisis** brought to the surface both the protective and stabilizing role of minimum income support, pointing to the fragmentation and gaps of social protection in general. The participants highlighted that labour market participation should be enhanced by integrated provision of services and active labour market policy (ALMP) support rather than by sanctions. The need for personalized (needs based) support and non-discriminatory, inclusive access was also brought-up. In terms of personal scope of the initiative, it was suggested that in accordance with Principle 14, the recommendation should cover all at all stages of life. The representatives also suggested addressing through the initiative a lack of data and information due to weak monitoring and evaluation practices.

No comments were received from the Committee of the Regions either during or after the thematic debate that took place on 15 February 2022.

[120] DE, FR, IE, NL attended the debate.

[121] Own initiative opinion SOC/584, ''For a European Framework directive on a Minimum Income'' of 20.02.2019, and own opinion 2014/C170/04 ''Opinion of the European Economic and Social Committee on the European minimum income and poverty indicators'' of 10-11.12.2013.

CALL FOR EVIDENCE CONSULTATION

The Commission invited all stakeholders to provide feedback on the Call for Evidence between 4 March and 1 April 2022. 75 individual contributions and 33 position papers were submitted from 33 Civil Society Organisations (CSO), 22 citizens, 7 business associations, 5 academic and research institutions, 4 trade unions and 4 public authorities.

General views on the initiative

**The majority of respondents are in favour of the initiative**. Certain stakeholders[122] consider that a framework directive on minimum income could achieve a stronger impact on poverty reduction. To this end, Caritas[123] provided a position paper listing 10 principles of a potential framework directive[124]. A group of 35 European researchers and academics provided a list of elements[125] that should be covered in the instrument, while The European Confederation of Independent Trade Unions (CESI) disagreed with the proposed policy instrument arguing that the implementation and enforcement of the recommendation will be unlikely.

Certain stakeholders highlighted that the minimum income **fall within national competences** and are linked to broader social protection systems, which should be respected[126]. On that point, Confederation of Danish Employers stated that the objective to achieve convergence between the Member States should not take the priority over national capabilities to develop minimum income. The Federation of Finnish Enterprises additionally recalled the link with safeguarding national competiveness and cost of labour.

**Some respondents are against the initiative**. For example, Wirtschaftskammer Österreich (Austrian Federal Economic Chamber) considers that the Austrian welfare system is generous enough while the progress towards poverty reduction target has been satisfactory. German Employers Associations in the Metal and Electrical Engineering Industries ‘Total Metal’ expressed strong reservations, stating that an EU level initiative would undermine Member States’ rights to determine their own social protection systems.  A representative of Italy stated that due to differences amongst Member States and regions it is not possible to define all criteria necessary for setting up common standards on minimum income across the EU.

On **coverage and access**, many stakeholders consider that minimum income should be non-discriminatory or rights-based, which would prevent stigmatisation, or that stigmatisation should be proactively tackled[127]. The European Confederation of Independent Trade Unions (CESI) called for improving information on eligibility criteria, while ATD Fourth World highlighted the need to overall

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[122] EAPN, A group of 35 academics and researchers from 14 Member States, European Youth Forum, European Youth Research , The Federal Association of Non-statutory Welfare (BAGFW), Solidar, Austrian Federal Chamber of Labour (BAK), Eurodiaconia, The European Confederation of Independent Trade Unions (CESI).

[123] Including Caritas France.

[124] Position-Paper-on-Minimum-Income-2022.pdf (caritas.eu).

[125] Covering methodology for ensuring adequacy, access, active inclusion approach, choice of legal background, monitoring and evaluation system and adequate EU funding for its implementation.

[126] The Federation of Finnish Enterprises, Confederazione Nazionale dell'Artigianato e della Piccola e Media Impresa, SOSTE, Solidar, German Federal Ministry of Labour and Social Affairs, Danish Trade Union Confederation, Confederation of Danish Employers , Swedish Confederation of Professional Associations (SACO), BAGWF, Confederation of German Employers Association (BDA).

[127] Social Platform, Belgian Platform Against Poverty and Social Exclusion, 35 Academics and Researchers, German Federal Ministry of Labour and Social Affairs, European Youth Forum, European Youth Express, European Anti-Poverty Network, Madrid City Council, Roma Grass-Root Organisation (ERGO), FPS Social Security and PPS Social Integration, ATD Fourth World, First Years, First Priorities Campaign, Eurodiaconia, Belgian Focal Point for Combatting Poverty, Solidar, Austrian Federal Chamber of Labour (BAK), Fundacion Secretariado Gitano, Eurodiaconia, Eurocities, AGE Platform.

improving access to information and reducing waiting times. European Social Network suggested that putting in place a single-entry-point by public and third sector social services could improve outreach to potential beneficiaries. European Youth Forum and Solidar brought the perspective of young people, who in some countries either do not have access to the schemes or receive a reduced amount of benefit. Some stakeholders called for careful consideration of the use of digital tools in access to information, or schemes with a view not to exclude those not able to use such means[128]. On that point, The City Council of Madrid highlighted particularly challenging access barriers for homeless people, who do not have ICT devices necessary to take an appointment with respective authorities. Some stakeholders suggested cutting red tape, including at the phase of claiming the benefit[129], while some suggested introducing automated access[130].

Many respondents commented on **adequacy.** Many of them called for setting adequacy level at, or at least at the level of at risk of poverty threshold (AROP)[131]. Some respondents stated that the adequacy level should be adjusted to the cost of enabling or essential services (such as housing, healthcare, childcare, energy and water)[132], or household composition[133]. Some stakeholders suggested that it should take into account special needs of vulnerable groups, including children, rather than implementing mainstream approach[134]. Certain respondents called for recognizing a unique situation of persons with disabilities, who need to compensate for additional costs related to the disability, including at work or during job search[135]. Certain stakeholders suggested using reference budgets[136]. On that note, the European Platform on Reference Budgets argued that they are a useful tool in addressing poverty and social exclusion through a broad focus on tax-benefit system, access to enabling and essential services, and in strengthening individual competences and labour market participation. German Federal Ministry of Labour and Social Affairs suggested defining measures

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128 EAPN, ATD Fourth World, Fundacion Secretariado Gitano, European Social Network, The Spanish Confederation of People with Physical and Organic Disabilities (COCEMFE), European Network for Social Integration Enterprises (ENSIE).

129 Finish health and care services association, SOSTE, European Roma Grass Root Organisation (ERGO), European Social Network, The Spanish Confederation of People with Physical and Organic Disabilities (COCEMFE).

130 Social Platform, European Youth Forum, European Youth Express, FPS Social Security and PPS Social Integration, Belgian Focal Point on Combatting Poverty, AGE Platform, Belgian Antipoverty Network (BAPN).

131 Social Platform, 35 Academic and Researchers, Belgian Platform Against Poverty and Social Exclusion, European Youth Forum, European Youth Express, EAPN, ERGO, Solidar, Federal Public Service Social Security 131 EuroHealthNet, Caritas, Social Platform, Artur J. Santos, ATD Fourth World, The First Years, First Priorities Campaign, AGE Platform.

131 Michel Mercadie.

131 Belgian Platform Against Poverty and Social Exclusion, German Federal Ministry of Labour and Social Affairs, Fundacion Secretariado Gitano, Belgian Focal Point on Combatting Poverty.

131 Social Platform, 35 Academic and Researchers, Belgian Platform Against Poverty and Social Exclusion, European Youth Forum, European Youth Express, EAPN, ERGO, Solidar, Federal Public Service Social Security (FPS Social Security) and the Federal Public Planning Service for Social Integration (PPS Social Integration), Austrian Federal Chamber of Labour (BAK), Belgian Focal Point on Combatting Poverty, The European Confederation of Independent Trade Unions (CESI), AGE Platform, Euroship Project.

132 EuroHealthNet, Caritas, Social Platform, Artur J. Santos, ATD Fourth World, The First Years, First Priorities Campaign, AGE Platform, Michel Mercadie.

133 Belgian Platform Against Poverty and Social Exclusion, German Federal Ministry of Labour and Social Affairs, Fundacion Secretariado Gitano, Belgian Focal Point on Combatting Poverty.

134 Social Platform, ATD Fourth World, Austrian Federal Chamber of Labour (BAK), The First Years, First Priorities Campaign, Fundacion Secretariado Gitano, Eurocities.

135 European Disability Forum and European Blind Union Federal Public Service Social Security (FPS Social Security) and the Federal Public Planning Service for Social Integration (PPS Social Integration).

136 Social Platform, Caritas, 35 Academic and Researchers, AGE Platform, EU Platform on Reference Budgets, Euroship Project.

designed to guarantee a life in dignity, more specifically, human basic needs taking into account living standards, price levels and national poverty lines. Eurocities underscored territorial dimension of poverty and in this context argued that an EU level framework on adequacy will not only prevent poverty, but also prevent poverty migration.

Some stakeholders highlighted the need for a regular or automatic **indexation**[137]. On that note, Social Justice Ireland suggested that the indexation should be overseen by an independent body.

Majority of the stakeholders called for reinforcing **active inclusion approach**, whereby income support is complemented by social inclusion measures, labour market activation and facilitated access to services. CESI and Confederations of German and Danish Employers considers that active labour market policies should be strengthened.

On **labour market integration**, Austrian Federal Chamber of Labour (BAK) and Finish Health and Care Services Association, SOSTE highlighted the need to support vulnerable groups, such as persons with disabilities or mental illnesses in labour market integration. Eurocarers underscored particular situation of carers, who often cannot fulfil the conditions to take part in ALMP or job search measures. Confederation of Danish Employers highlighted the importance of timeliness of measures, including incentivising transition through, for example, part-time work. EuroHealthNet emphasized the issue of positive incentives instead of sanctions, while Belgian Platform Against Poverty and Social Exclusion and ERGO called for tapering of benefits (whereby income from work could be combined with minimum income support), and on prohibiting public works. ERGO Network included illustrative examples from some Member States on the impact of sanctions or poorly paid public works on the beneficiaries' morale. Wirtschaftskammer Österreich (Austrian Federal Economic Chamber) and the European Network for Social Integration Enterprises (ENSIE) drew attention to financial traps, whereby the difference between income support and minimum wage is not substantial. ENSIE also drew the attention to a lack of quality job offers for the beneficiaries and provided some examples of how Work Integration Social Enterprises are and could be used in this respect. European Social Network underscored the need to build links with local employers. One respondent stated that everybody should be given a right to work and that employment should be favoured and supported through subsidies, also to prevent intergenerational dependency on benefits[138].

On **social inclusion**, many respondents[139] argued that the minimum income should aim at empowering the beneficiaries to facilitate their participation in society. Many argued that activation aimed solely at labour market integration does not offer a real opportunity for social inclusion to people furthest away from the labour market, or is not adequate for those faced with complex problems, such as having little or no experience of work, lacking social competences, emotional management, conflict resolution or skills. Social Platform insisted that for income support to be effective it has to be rooted in active inclusion strategy that has people's empowerment, participation and well-being at its core. On that note, European Social Network highlighted an importance of putting together an individualised social inclusion action plan for beneficiaries, on building peer support social networks, and reinforcing local social services so as to provide a comprehensive support. On the former, Belgian Antipoverty Network drew attention to the need to careful development of such measures so they do not include too strict conditions and sanctions putting additional stress on the beneficiaries.

[137] Social Platform, Belgian Platform Against Poverty and Social Exclusion, Eurodiaconia and FPS Social Security and PPS Social Integration, and AGE Platform.

[138] Barbara Schumann.

[139] Social Platform, Belgian Platform Against Poverty and Social Exclusion, ERGO, Solidar, Eurocarers, Global Institute for Structure relevance, Anonymity and Decentralisation, AGE Platform, 35 Academics and Researchers, German Federal Ministry, University of West Attica, BAGFW, ATD Fourth World, BAK, Fundacion Secretariado Gitano, ESN, Eurodiaconia, Belgian Focal Point on Combatting Poverty, Eurocities, AGE Platform, ENSIE.

On **access to services**, overall the stakeholders agreed that access to services fulfils an enabling function for the beneficiaries and that it should be facilitated. Some stakeholders[140] emphasized the importance of the comprehensive approach, entailing or linking the provision of enabling, needs-based services, including health and social services. ATD Fourth World underscored the importance of provision of social housing. German Federal Ministry of Labour and Social Affairs and Solidar emphasized the importance of skills development, in particular in times of demographic change and skills shortage. Eurodiaconia raised the issue of the necessity to provide to the beneficiaries specialised support and education aimed at prevention and dealing with over-indebtedness.

On **monitoring**, many respondents called for regular and robust monitoring and reporting on the implementation of the recommendation[141]. Finish health and care services association, SOSTE proposed to further develop the scoreboard of social indicators as well as to strengthen mutual learning and sharing of good practices. On the **methodology**, Senior Corporate Silver Spoon, Environment and Nature Association from Hungary stated that additional 11 indicators[142] should be taken into account in the action aimed at fighting poverty, while EAPN called for developing EU level quantitative and qualitative indicators. Belgian Platform Against Poverty and Social Exclusion called for further expanding Minimum Income Benchmarking Framework. German Federal Ministry of Labour and Social Affairs called for reducing the differences amongst the Member States in the adequacy indicators, while Social Platform and EAPN called for a common definition of adequacy, coverage and enabling support. Additionally, EAPN called for a common EU framework on methodology for reference budgets and a better visibility of the Benchmarking indicators. University of West Attica called for adopting a specific set of indicators to assess in a more precise way the functioning of national minimum income.

On **governance**, many civil society organisations[143] stated that given their proximity to the persons experiencing poverty and social exclusion, as well as to the service providers, they should play a stronger role in the overall governance process. CESI and SOSTE stated that a recommendation on cooperation between different administrative sectors and services providers would be beneficial, while University of West Attica and European Social Network suggested involving regional, local and other relevant stakeholders. On that note, Eurocities highlighted an important role of cities in designing, delivering and coordinating social services to support persons faced with poverty and social exclusion, and emphasized the importance of ensuring data interoperability between different authorities and services providers. In the same time, Eurocities drew the attention to the fact that so far cities have not been adequately included in policy debates at national level. The City of Grande Synthe informed that many practices remain at local level and are limited in scope. Madrid City Council drew attention to the challenges at the local level, including issues such as lack of robust governance structures, monitoring and evaluation. To this end, the Council highlighted an importance to improving coordination mechanisms. Confederation of Danish Employers suggested simplifying the social benefits system, which currently consists of many kinds of different benefits.

Other issues

[140] Social Platform, EuroHealthNet, Caritas, Belgian Platform Against Poverty and Social Exclusion, ERGO, Solidar, ATD Fourth World, Austrian Federal Chamber of Labour (BAK), European Social Network, Eurodiaconia, AGE Platform, EAPN, ESN, Belgian Focal Point on Combatting Poverty, Eurocities, ENSIE.

[141] 35 Academics and Researchers (under Anne Van Lancker), Social Platform, EAPN, Eurodiaconia, Eurocities.

[142] GDP per capita, PPs, EU-27 = 100, Productivity per employee, EU-27 = 100.0, Proportion of young people with at least a secondary education a 20-24 years old,%, Ratio of R&D expenditure to GDP,% , Relative price level, EU-27 = 100.0, Investment in the corporate sector as a percentage of GDP, Employment rate of 15-64 year olds,% - Employment rate of 55-64 year olds,%, Poverty rate,%, Proportion of long-term unemployed in the active population,%, Relative standard deviation of regional employment rate,%.

[143] Caritas, Social Platform, University of West Attica, EAPN, ERGO, Solidar, ATD Fourth World, Fundacion Secretariado Gitano, The Spanish Confederation of People with Physical and Organic Disabilities (COCEMFE), AGE Plarform.

8 respondents provided feedback related to minimum wage and not minimum income. 2 respondent provided feedback on universal basic income.

AD HOC CONTRIBUTIONS RECEIVED OUTSIDE THE FORMAL CONSULTATION CONTEXT

The European Commission received contributions outside of formal consultations, from the French Authorities, German District Parliament, International Labour Office, and Youth Policy Dialogue. French Authorities expressed its support for the EU level initiative providing policy advice and identification of best practices. The German District Parliament highlighted that minimum income fall within the area of national competence best suited to develop tailored made solutions to specific needs. International Labour Office provided a technical note listing a number of specific recommendations for the Commission. They include: undertaking rights-based, non-discriminatory universal life-cycle approach in the context of access and coverage of minimum income; providing dedicated support for persons with disabilities; providing access to services such as health or long-term care; putting in place effective activation policies for the beneficiaries; on adequacy, ensuring effective access to goods and services defined as necessary at national level, securing life in dignity of children persons in active age and older persons, taking into account family composition, levels of disability or other special needs and well as regional differences, setting the benefit at the level of above the poverty line, that would help people obtain higher levels of income security; on governance, putting in place transparent process of setting and reviewing of adequate benefit level, including through social dialogue and consultation with persons concerned; carefully assessing the use of means-test; encouraging Member States to set up strong coordination and monitoring mechanisms. A participant of the Youth Policy Dialogue, Zofia Borowczyk, underscored the disadvantaged position of young women who often face an alternative of either pursuing a professional career or a family. In this context, she suggested that social protection policies should provide adequate support for those in need so as to enable them to thrive personally and professionally.

BROAD PUBLIC CONSULTATION ON THE EUROPEAN PILLAR OF SOCIAL RIGHTS ACTION PLAN

Between 14 January and 30 November 2020, the Commission carried out a broad public consultation[144] on actions to implement the European Pillar of Social Rights, feeding into the European Pillar of Social Rights Action Plan adopted by the Commission on 4 March 2021. Principle 14 on Minimum Income was within the scope of that consultation. The results have been summarized in the Staff Working Document Accompanying the European Pillar of Social Rights Action Plan[145] and are quoted below.

According to civil society organisations active in the fight against poverty and social exclusion, the Action Plan should bring about a rights-based, person-centred integrated strategy to fight poverty and exclusion, for all groups, through the life course. Some respondents stated that an overarching strategy against poverty should be centred around a European Framework Directive on Minimum Income[146] and should link up with thematic strategies for key target groups, namely children, homeless people, older people, people with disabilities, migrants, Roma, LGBTIQ people, and other vulnerable and/or

[144] https://ec.europa.eu/social/main.jsp?catId=1487&langId=en.
[145] https://ec.europa.eu/social/BlobServlet?docId=23704&langId=en.
[146] See also Germany, AGE Platform, Belgian Anti-Poverty Network.

marginalised groups[147]. There was a general concern about the 'feminisation' of poverty and social exclusion due to gender-based inequalities[148].

In relation to minimum income, employers indicate that the Council conclusions of 12 October 2020 on "Strengthening Minimum Income Protection in the COVID-19 Pandemic and Beyond" state that it is for Member States to design and implement national provisions ensuring minimum income protection. They would see a merit in strengthening the ongoing work as part of the European Semester process, including further elaboration of the EU benchmarking framework[149]. Germany supports an EU framework to support and to complement the activities of the Member States in this field.

The European Parliament, many civil society organisations, trade unions and citizens support the idea of a **European framework directive for minimum income,** which would guarantee adequate, accessible and enabling minimum income support[150]. Several citizens call for the introduction of an **unconditional basic income**. According to Eurocities, the lessons learned from recent pilot projects in Finland, Spain and Scotland should be taken into account[151]. On the other hand, employers warn against raising unrealistic expectations on EU action regarding minimum income, also in view of limited EU competences in this field. They stress that measures are mainly needed at national level[152].

According to civil society organisations, **minimum income benefits** should be provided proactively to tackle the high non-take-up and to ensure that the transition to other types of benefits happens without delay[153]. There should be no negative conditionality linked to total (or partial) cuts in adequate minimum income support[154] and benefits could be provided through a system of 'digital cash' directly aimed at the lower-income groups[155]. The instrument should be based on common definitions including adequacy linked to at least 60% of the median equivalised disposable income after social transfers (poverty threshold) and underpinned by national reference budgets[156]. Some contributors ask for increased minimum income levels for people with disabilities or chronic diseases, who systematically incur higher health care expenditure.[157] However, the discussion should not be held in solely monetary terms, but also take into account broader social support measures for self-sufficiency[158].

***Outline of the consultation process:***

147 EAPN, FEANTSA, AGE Platform, Inclusion Europe, ILGA-Europe, EAPN Spain, Caritas Europe, Land of Berlin.
148 Eurocities, German Association for Public and Private Welfare, Caritas Czech Republic (webinar Czechia).
149 BusinessEurope.
150 European Parliament Resolution, Social Platform, German Association for Public and Private Welfare, EKD, Eurodiaconia, EWL, ERGO, EAPN, AGE Platform, DGB, Bulgarian Confederation of Independent Trade Unions, EAPN Portugal, EAPN Spain, Network Social Europe Baden-Württemberg, BAGFW, MMM, COFACE, European Senior Organisation (webinar Lithuania), Jusos Brüssel, ENIL, Austrian Chamber of Labour, supported Portugal, ENNHRI and Catalonia; Italy rather sees room for a Recommendation on this subject.
151 Eurocities.
152 BDA, BusinessHungary (webinar Hungary).
153 Social Platform; the broader issue of non-take-up of social rights and services is mentioned by the Belgian Combat Poverty, Insecurity and Social Exclusion Service, ATD, COFACE and FOREM, among others.
154 FOREM, Social Platform.
155 Anti-Poverty Forum.
156 EAPN, EAPN Portugal, EAPN Spain, ERGO.
157 Gemeentelijke Werkgroep Toegankelijkheid Medemblik.
158 Sweden, German Working Group of Young Socialists Brussels.

| Date | Consultation activity and stakeholders | |
|---|---|---|
| **2020** | Public consultation with general public on the European Pillar of Social Rights Action Plan European Social Partners | |
| **January 2022** | Strategic Dialogue with Civil society organisations | |
| **February 2022** | Thematic debate with European Economic and Social Committee, Committee of the Regions | Thematic debate with experts and researchers |
| **March 2022** | Dedicated hearing with European Social Partners | |
| **April 2022** | Exchange with SPC and Employment Committee | Feedback on the Call for Evidence |
| **May 2022** | Thematic debate PES Network | |