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Social Rights and Inclusion

**Social Policies, Child Guarantee, SPC**

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### NOTE TO THE SPC ISG

#### **2023 DATA UPDATE OF THE BENCHMARKING FRAMEWORK IN THE AREA OF MINIMUM INCOME (WITH EU-SILC 2021 DATA)**

This document provides a data update of the benchmarking framework in the area of minimum income, where this framework has been developed by the Indicators Sub-Group of the Social Protection Committee (SPC). The update is based on EU-SILC 2021 data<sup>1</sup>.

## **1. Introduction**

### **1.1 Minimum income**

The benchmarking framework on minimum income focuses on the working age population with working abilities not in employment and not eligible or having exhausted entitlements to social insurance benefits. It is indeed an overarching challenge for minimum income schemes to be designed in such a way so as to be able to effectively alleviate poverty and foster social inclusion. This is reflected in Principle 14 of the Pillar of Social Rights<sup>2</sup>, 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 goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market.*

While at present all Member States have minimum income schemes, the design of national schemes varies significantly. Minimum income refers to benefits supporting income of people

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<sup>1</sup> And on SILC 2019 and SILC 2020 for income adequacy indicators.

<sup>2</sup> [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en)

who are not (or are no longer) eligible for social insurance benefits. Minimum income benefits are non-contributory and means-tested, should be universal and their provision is a last resort instrument to combat poverty and social exclusion. Minimum income schemes interact with other benefits (in particular unemployment, family or housing benefits), but also with the design of tax systems (in particular as regards work incentives). There is for instance diversity in the level of support, the eligibility rules, which determine the coverage of schemes, the provision of in-kind services, but also the degree of fragmentation of the national schemes.<sup>3</sup> Due to the complexity of the existing schemes, this benchmarking framework focuses on the working age population with working abilities that are most frequently not in employment and not eligible for social insurance benefits, or whose entitlement to such benefits has exhausted.<sup>4</sup>

This benchmarking framework should not be applied mechanically and should also be followed by country specific analyses. Such more in-depth analysis also allows to further ascertaining the specific situation in these Member States as regards their design of minimum income schemes, in particular in the light of the specific national circumstances, including complementarities between the different policy areas in the national context (e.g. in-kind services and benefits, taxation, public services and public administration, territorial dimension).

The benchmarking framework includes the following indicators:

<p><b>Outcome indicators</b></p> <ul style="list-style-type: none"> <li>• Relative at-risk-of-poverty gap of the working age population (18-64)</li> <li>• Material and social deprivation rate of the working age population (18-64)</li> <li>• At-risk-of-poverty rate of the population living in (quasi-)jobless households (18-64)</li> </ul>
<p><b>Performance indicators</b></p> <ul style="list-style-type: none"> <li>• Impact of social transfers (excluding pensions) on poverty reduction for the working age population (18-64)</li> <li>• Persistent at risk of poverty rate of the working age population (18-64)</li> <li>• The benefit recipient rate for people at risk of poverty in (quasi-) jobless households (18-64)</li> <li>• Gap in self-reported unmet needs for medical examination (18-64)</li> <li>• Gap in housing cost overburden rate (18-64)</li> <li>• Gap in non-participation in training related to professional activity (18-59<sup>5</sup>)</li> </ul>
<p><b>Policy levers</b></p> <ul style="list-style-type: none"> <li>• Income of a minimum income beneficiary as a share of the at risk of poverty threshold</li> <li>• Income of a minimum income beneficiary as a share of the income of a low wage</li> </ul>

<sup>3</sup> I.e. the extent to which different and separate means-tested benefit systems are organised for different groups within the population in need (pensioners, single parents, the unemployed etc.), with differing benefit levels, conditionality regimes and eligibility conditions.

<sup>4</sup> The specific situation of children living in related households (to the extent that children most generally live in households with working age adults) is also covered by the framework.

<sup>5</sup> This indicator is only available for SILC 2016 and for 18-59 population.

The benchmarking framework was used as a basis for the [first joint SPC EC report](#) focusing on common challenges following the Council Conclusions on “Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond” of October 2020<sup>6</sup>. The report relied in particular on the selected outcome, performance and policy lever indicators from the framework, complemented with other data and qualitative information to support the analysis, and covered the full implementation of active inclusion. The report served as an input from the SPC to the [Commission proposal for a Council Recommendation on adequate minimum income, ensuring active inclusion](#).

## 2. Outcome indicators

In what follows, SILC 2021 data refers – for the income-based indicators and for the work intensity of households – to the income year 2020.

The benchmarking framework in the area of minimum income includes three outcome indicators that focus on the at-risk-of-poverty rate (AROP) of the working age population and, where relevant, use a breakdown for the population from (quasi-)jobless households<sup>7</sup>, as minimum income benefits impact more significantly the population living in these households. The indicators selected are as follows.

- The **relative at-risk-of-poverty gap of the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64)).

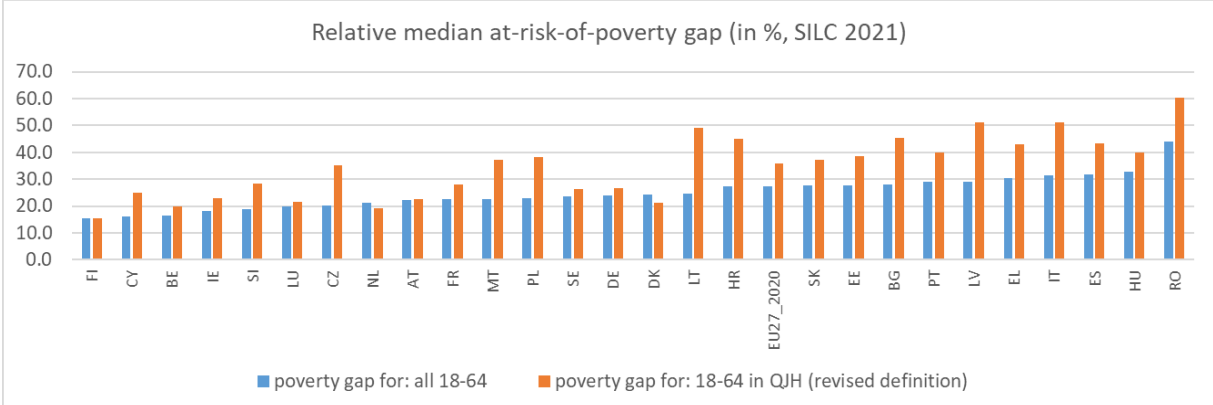
This indicator measures the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold itself. It is expressed as a percentage of the at-risk-of-poverty threshold and helps quantify the income situation of these people.

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<sup>6</sup> “PREPARE periodically a joint report to analyse and review progress achieved in the development of minimum income protection in the Member States, building on the benchmarking framework for minimum income protection established at EU level. The report should in particular analyse empirically the role of minimum income protection in supporting employment and addressing poverty as well as inequalities of income and opportunities including aspects of gender inequality. The report should cover the application of the dimensions of access, adequacy and enabling aspects of minimum income protection. It should also study the potential of minimum income protection to stabilise the economy and society in times of economic downturn, in conjunction with other employment support and social protection measures.”

<sup>7</sup> In this note, “(quasi-)jobless households” (“QJH” in the charts) refers to the revised definition of (quasi-)jobless households, as detailed at: [Glossary: Persons living in households with very low work intensity - Statistics Explained \(europa.eu\)](#)

**Chart 1 - Relative at-risk-of-poverty gap for the working age population (18-64) and for (quasi-)jobless households (18-64) (SILC 2021)**

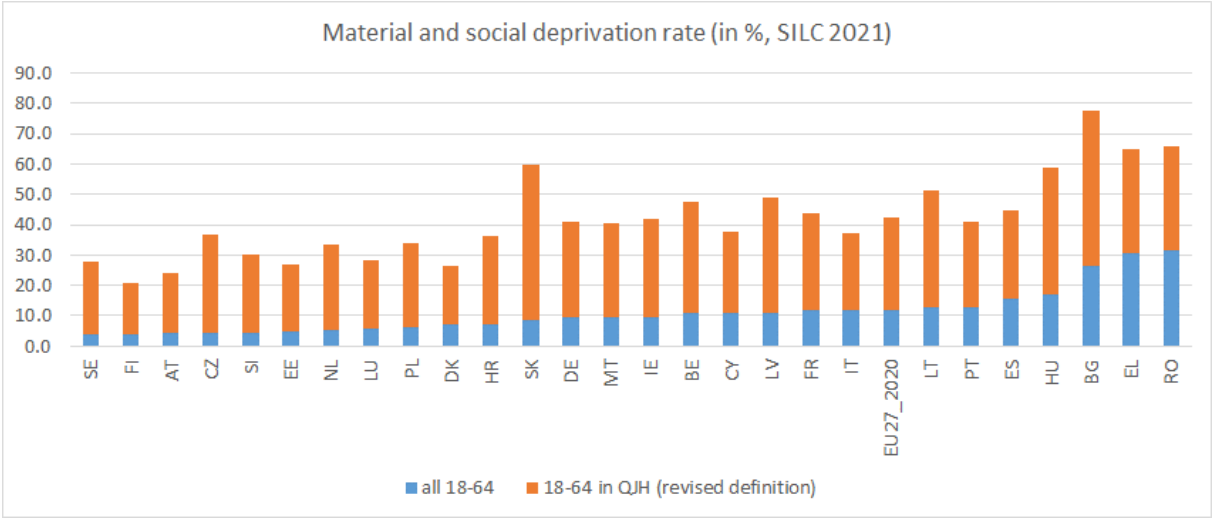


Note: for a few Member States (e.g. FI, DK and NL), the poverty gap for 18-64 in QJH (revised definition) is lower than the poverty gap for all 18-64.  
 Source: Eurostat data

- The **material and social deprivation rate of the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64)).

This indicator provides a measure of material deprivation. It is based on a list of 13 items, out of which 7 relate to the household (e.g. face unexpected expenses, keep home adequately warm) and 6 relate to the individual (e.g. have two pairs of properly fitting shoes, have regular leisure activities). The material and social deprivation rate is the share of people lacking at least five of the above items.

**Chart 2 - Material and social deprivation rate 18-64 with a breakdown for (quasi-)jobless households (18-64) (SILC 2021)**

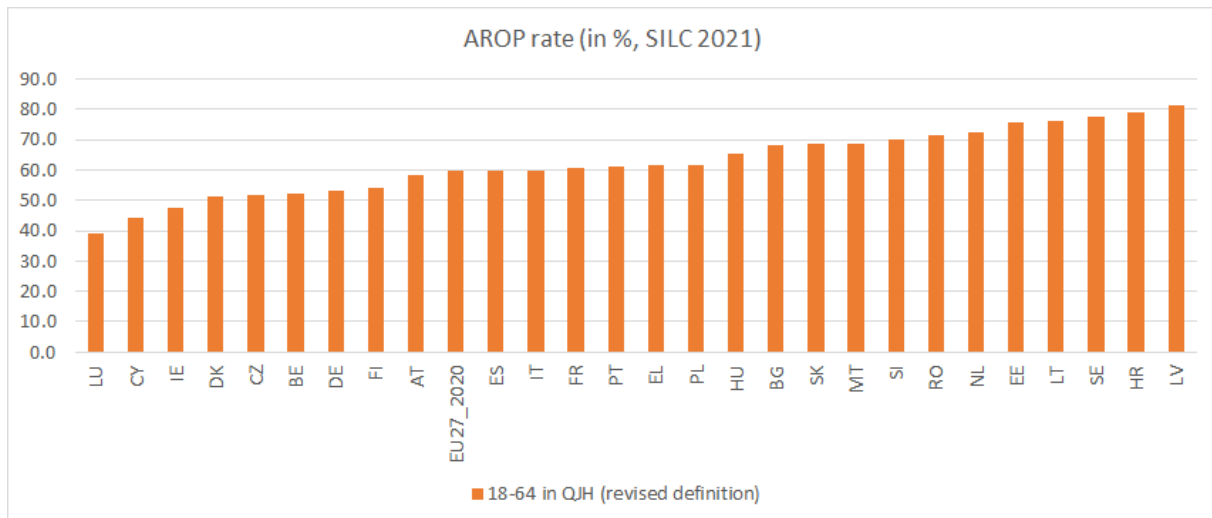


Note: The rate for 18-64 in QJH (revised definition) is the sum of blue and orange bars. SK data is provisional.  
 Source: Eurostat data

- The **at-risk-of-poverty rate of the population living in (quasi-)jobless households (18-64)**

This indicator provides a measure of relative income poverty – the proportion of people aged 18-64 living in (quasi-)jobless households whose disposable income is below the national at risk of poverty threshold.

**Chart 3 - At-risk-of-poverty rate of the population living in (quasi-)jobless households (18-64) (SILC 2021)**



Source: own computation on Eurostat data

### 3. Performance indicators

Outcome indicators can be influenced by a number of factors outside social policy. To allow more focus on the design of minimum income benefits, performance indicators more directly related to policy design were included in the benchmarking framework.

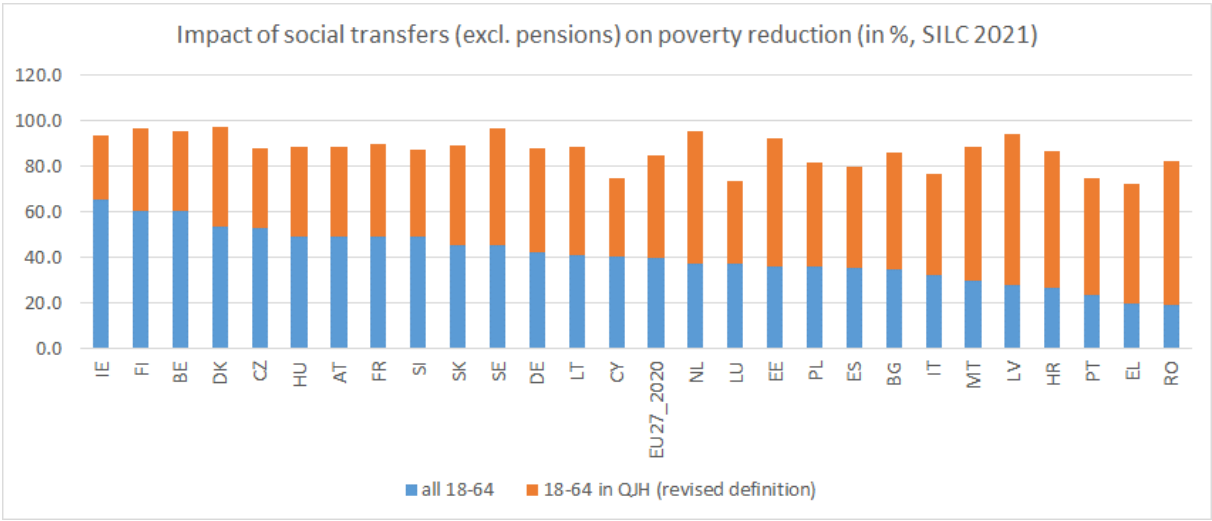
The performance indicators examine the impact on income and the coverage of schemes, as well as to the gaps in access to services between potential minimum income recipients and the rest of the population. Similar to the outcome indicators, the focus is on the working age population, where possible focusing on people aged 18-64 at risk of poverty from (quasi-)jobless households.

- The **impact of social transfers (excluding pensions) on poverty reduction for the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64))

This indicator measures the impact of social transfers on the AROP of the working age population. It is calculated as  $(B-A)/B$  from the following two indicators (A: at-risk-of poverty rate after social transfers (standard poverty rate) and B: at-risk-of poverty rate before social transfers (excluding pensions)).<sup>8</sup>

<sup>8</sup> One may wish in addition to examine the specific impact of minimum income benefits on the impact on AROP, as captured by the impact of social exclusion benefits not elsewhere classified. However, in some Member States, minimum income benefits may be classified in another income category and this category can be broader than only minimum income benefits. In addition, this does not allow capturing the interaction with other benefits, as

**Chart 4 - Impact of social transfers (excluding pensions) on poverty reduction for the working age population (18-64) (SILC 2021)**



Note: The impact for 18-64 in QJH (revised definition) is the sum of blue and orange bars. SK data is provisional  
 Source: own computation on Eurostat data

- The **persistent at risk of poverty rate of the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64)).

This indicator measures the percentage of the population living in households where the equivalised disposable income is below the at risk of poverty threshold for the current year and at least two out of the preceding three years. It allows capturing the dynamics of the AROP. The length of the spell also provides more information on the severity of the poverty risk.

**Chart 5 - Persistent at risk of poverty rate of the working age population (18-64) with a breakdown for (quasi-)jobless households (18-64)**

Data is not yet available for this indicator for SILC 2021. Eurostat is working on making the data available.

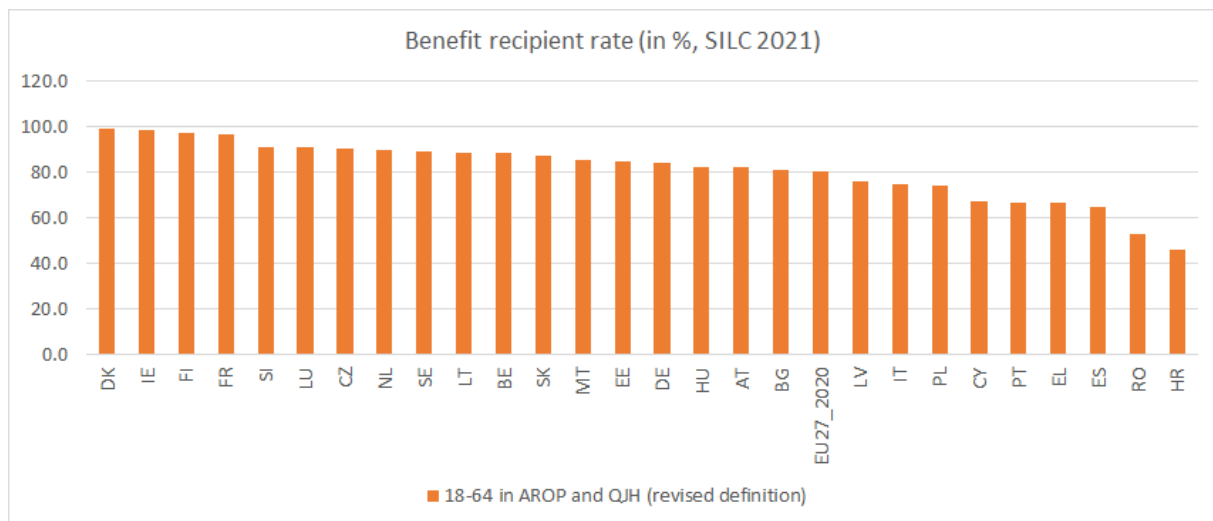
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typically in the absence of such benefits, other means tested benefits may be higher. Similarly, one needs an assumption on whether the impact of such benefits should be considered at different stages of the income calculation. A higher end assumption consists in measuring the impact by measuring AROP when reducing overall incomes by only the amount of social exclusion benefits not elsewhere classified. It actually appears, all in all, that the relative performance of Member States along the impact of transfers to reduce AROP is very similar to the one when not accounting for this category of income.

- The **benefit recipient rate for people at risk of poverty in (quasi-)jobless households (18-64)**.

This indicator measures the share of working age individuals receiving any benefits (other than old age benefits) among the 18-64 population at-risk-of poverty and living in (quasi-)jobless households. It is the only available indicator for assessing performance of the Member States in terms of reaching out to individuals and households at risk of poverty by income support provision. It fulfils and provides complementary information to other performance indicators.

**Chart 6 - Benefit recipient rate for people at risk of poverty in (quasi-)jobless households (18-64)**



Source: Eurostat data

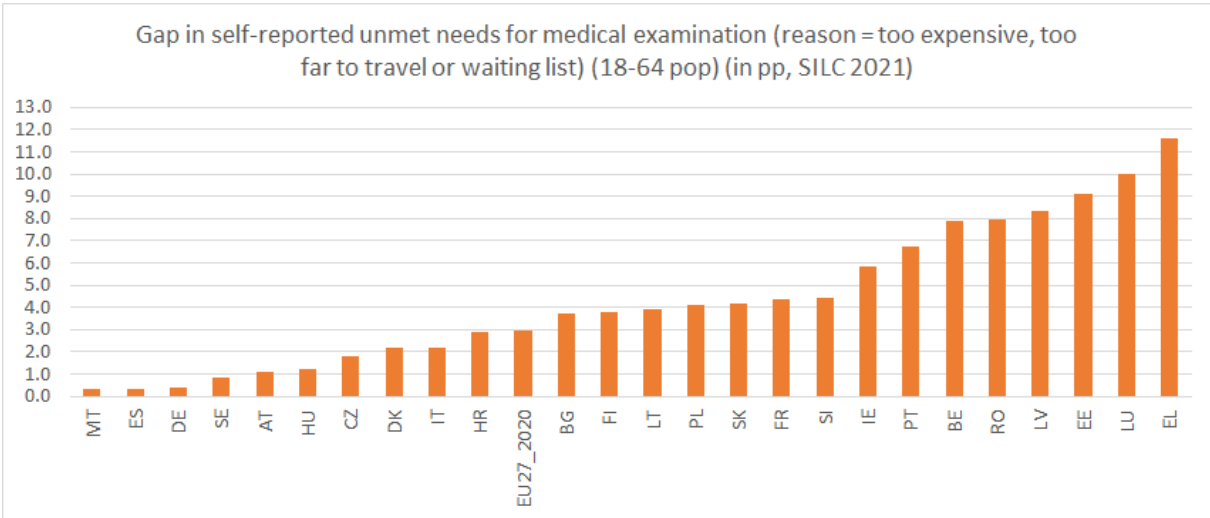
**Three additional performance indicators** in the area of access to services aim at illustrating gaps in access to services for minimum income recipients and relate to the areas of healthcare, housing, and education. These indicators are based on EU-SILC and show the gap in access to a service between people aged 18-64<sup>9</sup> at risk of poverty from (quasi-)jobless households and those aged 18-64<sup>10</sup> not at risk of poverty from non-(quasi-)jobless households. The three agreed indicators are as follows.

- **Self-reported unmet needs for medical examination** (reason: too expensive or too far to travel or waiting list) – **gap** in p.p. between the share of individuals (18-64) at risk of poverty from (quasi-)jobless and the share of individuals (18-64) not at risk of poverty from non-(quasi-)jobless households.

<sup>9</sup> 18-59 population for gap in training indicator.

<sup>10</sup> 18-59 population for gap in training indicator.

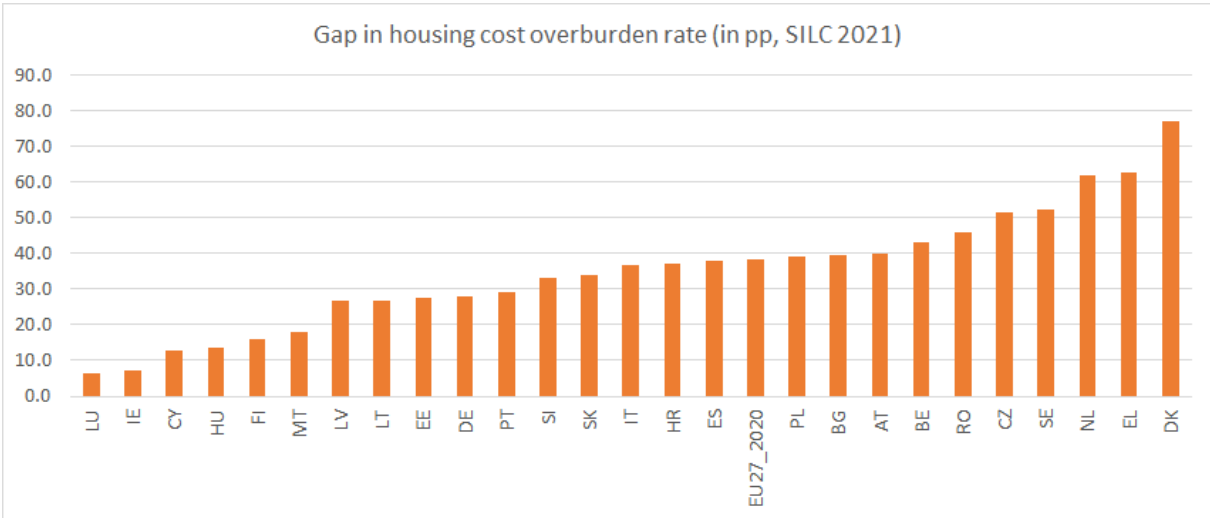
**Chart 7. Gap in self-reported unmet needs for medical examination (18-64) (SILC 2021)**



Source: Eurostat data

- Housing cost overburden rate – 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.

**Chart 8 - Gap in housing cost overburden rate (18-64) (SILC 2021)**

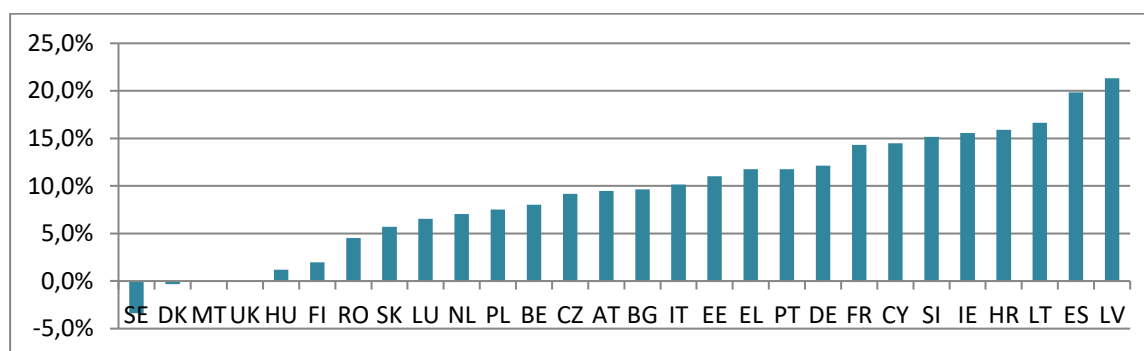


Source: Eurostat data

- Non-participation in training related to professional activity** (reasons 'no suitable courses or programmes available' and 'cannot afford it') – **gap** in p.p. between the share of individuals (18-59) at risk of poverty from (quasi-)jobless households and the share of individuals (18-59) not at risk of poverty from non-(quasi-)jobless households. The latest data available for this indicator is for SILC 2016 ad-hoc module (and for 18-59 population).



**Chart 9 - Gap in non-participation in training related to professional activity (SILC 2016)**



Source: Eurostat data

## 4. Policy levers

It was established that three key policy levers could be identified for minimum income schemes that are most likely to affect their performance: i/ adequacy of benefits, ii/ eligibility rules and take-up of benefits, and iii/ activation and access to services.

### 4.1 Adequacy of benefits

The level of financial support provided under a minimum income scheme has a direct impact on the ability of the scheme to alleviate poverty. The agreed general principle for this policy lever states that "*the level of benefits should ensure adequate income support, and for those who can work, minimum income benefits should be combined with incentives to (re)integrate in the labour market*".

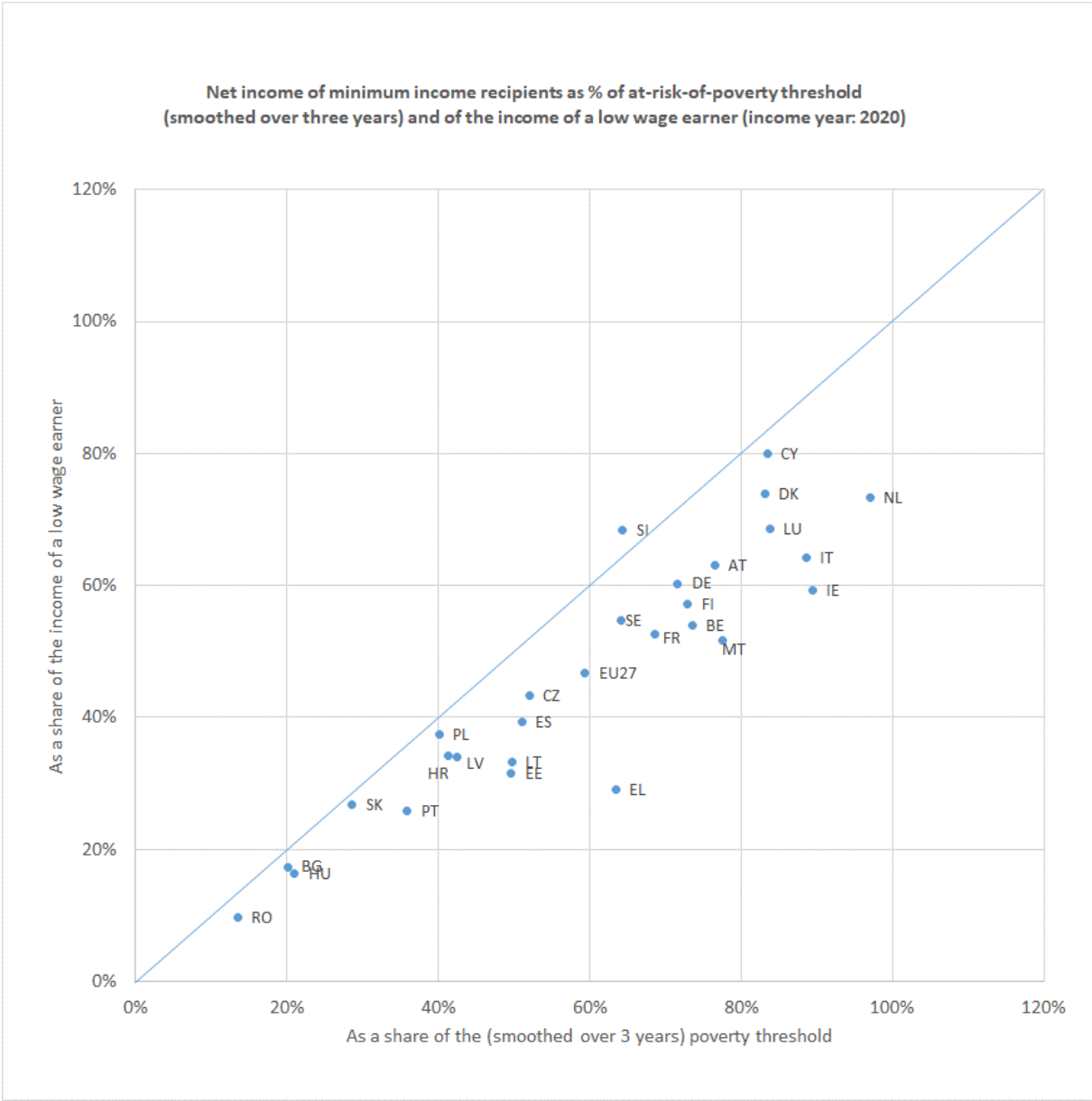
Two indicators were agreed to measure the adequacy of minimum income benefits:

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

The first indicator gives an indication of the poverty alleviation effect of benefits, while the second one also provides an indication on how minimum income relates to the income of a low wage earner, thus also providing information on the activation dimension of schemes<sup>11</sup>.

<sup>11</sup> See also Cantillon et al. (2015) and the [Commission Staff Working Document accompanying the proposal for a Council Recommendation on adequate minimum income ensuring active inclusion \(2022\)](#)

**Chart 10 - Adequacy indicators, single person households (income year 2020) (note: data behind this chart is also presented in Annex)**



Note: due to data availability in the OECD TAX-BEN model, housing costs were estimated to be 11% (and not 11.3%) of average wage. EU27 is a simple average. The AROP threshold used in the computation of one of the indicator is for an equivalised person and has been computed, at the household level, on the whole income distribution (i.e. taking also into account non single-person households).

Source: own computation on Eurostat data and on OECD TAX-BEN model data

Both indicators are based on the OECD's TAX-BEN model, with some specific definitions and adjustments made. Since the at risk of poverty threshold (or median income reference) is affected by cyclical fluctuations, the first indicator makes use of a smoothing technique, whereby a moving average over a three-year period is used as reference. In addition, in the past, a sensitivity analysis had been conducted on actual estimates of housing costs based on EU SILC data and it was possible to derive EU averages for the housing costs (to feed into the

OECD TAX-BEN model to calculate the net incomes<sup>12</sup>). As regards the definition of a 'low wage earner',<sup>13</sup> for the ease of consistency (including with the OECD TAX-BEN model) it appeared easier to define low wages as a share of the average wage. Based on the available evidence it was agreed that a low-wage earner would be a person earning 50% average wage (30% average wage corresponding to a person working part-time).<sup>14</sup>

As the interaction of minimum income benefits with other benefits can vary across households, these indicators can be presented for three household types. Additional information for other household types is provided in the [Joint SPC-Commission report on minimum income](#) with calculations for a single-parent household of one adult and one child and a couple with two children.

It was noted that the use of a mechanism to automatically update the level of support is also a way to ensure continued adequacy of benefits. In most Member States, the levels of benefits are revised periodically to ensure that they reflect changes in the costs of living. The frequency of reviews and the mechanisms in place, including the parameters used for the revision, differ substantially across Member States. The majority of countries have clear mechanisms for establishing and adjusting the level of benefits, which also takes account of household composition. Update references might include the median/mean income or proportion of it (e.g. national relative poverty line), changes in the cost of living (price developments, inflation rate, absolute poverty line, basket of goods, etc.) or the minimum wage or pension. There are also countries where there is no clear mechanism and the level of benefits is set on a subjective or arbitrary basis. Countries also vary widely in the regularity with which they update benefit levels and the basis on which they do it.<sup>15</sup>

#### **4.2 Eligibility rules and take-up of benefits**

The agreed general principle for this policy lever states that "*accessibility of minimum income benefits should be ensured, including by the universal and non-contributory nature of the schemes and adequate targeting of those living in poverty.*"

The main eligibility requirements applied in national systems include nationality/citizenship and/or residence, age, lack of financial resources, not having assets above a certain limit, and having exhausted rights to any other (social) benefits.<sup>16</sup> The strictness of these criteria determine to what extent a scheme offers universal access to those living in poverty. In the

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<sup>12</sup> Estimates for housing costs = 11,3% AW for single person households.

<sup>13</sup> Low-wage earners may be defined as those with a wage below two-thirds of the country median hourly wage (Ponthieux, 2010). Another definition of low-wage earners could include all employees in the bottom two (or three) deciles in the group of low-wage earners (see Lucifora and Salverda 2009).

<sup>14</sup> 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 (latest 2010, 2014), 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%).

<sup>15</sup> See [MISSOC database](#) (further details see in Joint Report on Minimum Income prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL) (2022)

<sup>16</sup> See Frazer and Marlier (2016) Minimum Income Schemes in Europe. A study of national policies 2015. Joint Report on Minimum Income prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL) (2022)

literature the coverage of minimum income schemes is defined on the basis of eligibility criteria, showing the potential number of beneficiaries. The take-up of benefits refers to the share of those actually receiving the benefits out of those being entitled to the benefits. Coverage and take-up rates do not necessarily match, and the available evidence shows that the gap between the two is significant, sometimes very large.

**No policy lever indicators have so far been agreed for eligibility and take-up.** The benchmarking framework contains a related performance indicator (benefit recipient rate) and includes context information about the role of two factors in the eligibility of schemes, such as means-testing and residence requirements (on the details of this context information, please refer to the Joint Report on Minimum Income prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL) (2022)).

### **4.3. Activation elements and access to services**

The benchmarking framework has identified as a general principle for this policy lever to "*ensure the right to participate in activation measures by providing enabling services and develop personalised and comprehensive systems of support, in line with activation conditions.*" This policy lever focuses both on the incentives to work for minimum income beneficiaries, as well as the extent to which schemes enhance recipients with better access to services. Income support should indeed be combined with access to enabling goods and services, while for those who can work there should be incentives to (re)integrate into the labour market.

The benchmarking framework **does not include related policy lever indicators.** The benchmarking framework contains a related performance indicator (gap in access to services) and includes some context information in the area of activation of minimum income beneficiaries, in particular on financial incentives and activation requirements (on the details of the context information, please refer to Joint Report on Minimum Income prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL) (2022)).

## **5. Outlook**

In order to facilitate reform processes in the Member States, the Council adopted a [Recommendation on adequate minimum income, ensuring active inclusion](#). More detailed analysis of the state of play based on the benchmarking framework was delivered in the Staff Working Document, underpinning the recommendation and the above referred 2022 edition of the Joint Report on Minimum Income prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL).

The Recommendation contains provisions to support upwards convergence in the design of minimum income schemes along the active inclusion approach and welcomes the Commission's intention to "*continue working jointly with Member States in the Social Protection Committee on the benchmarking framework on minimum income and enhance the availability and comparability of relevant indicators and data*".

Annex:

Net income of a minimum income recipient (single-person household) (income year 2020):

	As a share of poverty threshold (smoothed over 3 years)	As a share of the income of a low wage earner
AT	76.5%	63.1%
BE	73.6%	53.9%
BG	20.2%	17.4%
CY	83.4%	80.0%
CZ	52.0%	43.4%
DE	71.7%	60.3%
DK	83.1%	74.0%
EE	49.7%	31.6%
EL	63.4%	29.0%
ES	51.1%	39.4%
FI	73.0%	57.1%
FR	68.5%	52.6%
HR	41.4%	34.2%
HU	21.1%	16.3%
IE	89.4%	59.2%
IT	88.6%	64.2%
LT	49.8%	33.1%
LU	83.8%	68.6%
LV	42.5%	34.1%
MT	77.6%	51.7%
NL	97.1%	73.4%
PL	40.2%	37.5%
PT	35.9%	25.8%
RO	13.5%	9.7%
SE	64.1%	54.7%
SI	64.3%	68.4%
SK	28.6%	26.7%
EU27	59.4%	46.6%

Note: EU27 is a simple average.