

## Using reference budgets for drawing up the requirements of a minimum income scheme and assessing adequacy Cyprus

### 1. **Country context: Please give a short overview of the experience with reference budgets in your country! What is the current debate regarding this field in your country?**

The concept of reference budgets specified as a guaranteed minimum income is designated as public assistance (financial benefits) and is part of a wider social protection system which includes other allowances, grants and services.

Public assistance is provided within the framework of the Public Assistance and Services Law 95 (1) 2006, based on Article 9 of the Constitution of the Republic of Cyprus stating that every person has a fundamental right to a decent standard of living.

It is a general, non – contributory scheme, not subject to taxation, and it aims to ensure a socially acceptable minimum standard of living for persons (and families) legally residing in the Republic of Cyprus subject to eligibility criteria: any person whose income and other economic resources are insufficient to meet his basic (and special needs) as defined in the Law, is entitled to the public assistance benefit.

The rate of the basic allowance is reviewed / adjusted yearly based on the consumer price index.

The current debate regarding this field is that the Law is being reformed so that it will act as an ultimate safety net against poverty and social exclusion and to ensure its effectiveness and efficiency in removing “dependency traps”, disincentives to take up work and include strong activation measures.

### 2. **Is there scope for a common definition of adequacy at EU level? What are the elements out of the reference budgets that could help to elaborate such a common definition?**

In our view there is urgent need and scope to address the lack of clarity that currently exists as to what constitutes an “adequate minimum income to live life with dignity”.

A common definition / criteria could be the basis for reporting and monitoring Member States conformity with relevant Recommendations.

Elements that could be taken into account are:

- a) the relative prices of the commodities that go into the basket of goods;
- b) budget surveys;
- c) surveys on income and living conditions of various household types of different socioeconomic background and in urban and rural areas.

The rate of the minimum guaranteed income should be sufficient to lift people out of poverty, adequate enough to participate fully in society and workfare incentive enough to drive people into work. It should also be designed to provide disincentive for welfare / care migrants (social raids) (social tourism) between countries, which might create social inequality.

### **3. Which products and services should be taken into consideration in the baskets of reference budgets?**

The baskets of reference budgets should take into consideration basic, normal day-to-day living expenses (material needs) such as food, housing, clothing/footwear, water, fuel, hygiene commodities, cleaning supplies as well as coverage of personal expenses such as leisure / recreation.

Special needs should cover needs for unexpected circumstances e.g. household appliances.

Services that should be taken into account are: free medical treatment, education, child care facilities etc.

### **4. How can risks linked to the use of reference budgets be avoided?**

*(Risks include: risk that reference budgets are used as a budget to survive and not a budget to live a life in dignity; risk that reference budgets are used as an individual prescriptive reference and not a global one – risk of lack of individual freedom; risk that reference budgets do not take into consideration specific consumption habits and do not reflect reality.)*

Risks linked to the use of reference budgets can be avoided by conducting surveys on living conditions and quality of life, on income / spending patterns, on consumption data and family budgets.

### **5. How can the participation of people experiencing poverty be organised to define the norms reference budgets are based on?**

Transparency in decision-making and democratic procedures are expressed through the active participation of social partners, non-governmental organisations, civil associations. Representatives of all relevant sectors of the population are involved in the decision-making through a form of public negotiations / dialogue. This is a structured form within the scope of "Better Regulation".

**6. What steps have to be accomplished in order to reach a common definition, criteria, indicators/benchmarks and methodology at EU level? What steps have to be taken to work towards the implementation of the Recommendation on Active Inclusion?**

The 2008 Recommendation on Active Inclusion stresses that the resources necessary to lead a life of dignity take into account living standards and price levels.

Our view is that price index and budget surveys can be used to create benchmarks.

Meetings such as the Peer Review Meetings and the Open Method of Coordination are of great importance.

Apart from reaching a common definition other measures should be taken such as to combat unemployment, to promote job search and employability, participation in vocational programmes, ways to prevent early abandonment from education, measures to reconcile family life with work.