



**COUNCIL OF
THE EUROPEAN UNION**

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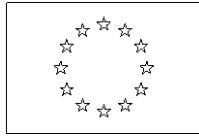
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**SOC 404
ECOFIN 526**

COVER NOTE

from: Social Protection Committee
to: Permanent Representatives' Committee (Part I) / Council (EPSCO)
Subject: The Social Dimension of the EU/EMU
c) Minimum income schemes in the euro area

Delegations will find attached the above-mentioned background paper for the exchange of views on the social dimension of the EU/EMU to be held by the Council (EPSCO) on 19 June 2014.



Minimum income schemes in the euro area Member States

Introduction

The informal EPSCO meeting in April 2014 held a workshop on the role of minimum income schemes in economic recovery and social policies. Following the ministerial discussion, the Committee was asked to work on the link between income support and social protection schemes. This background paper provides a preliminary overview of minimum income schemes with a focus on the euro area Members. It builds on previous SPC work in the framework of the multilateral implementation reviews on the 2013 Council recommendation and in particular on Council recommendation N6¹ to the euro area focussing on collective actions for overcoming the social consequences of the crisis. In its considerations for the collective recommendations, the Council recalled the close interrelations in the euro area and the need for a coherent aggregate policy stance which reflects the strong spill-overs within the euro area as well as the need for effective arrangements for policy coordination.

As described in the 2010 Joint Report on Social Protection and Social Inclusion, minimum income schemes "provide cash benefits aimed at ensuring a minimum standard of living to individuals and their dependants having no, or insufficient, means of financial support (including contributory cash benefits and support from other family members). The level of income provided to a person through a minimum income scheme is a minimum level of income deemed acceptable for that type of person by the social protection system in the country concerned. Minimum income schemes aim at preventing destitution to people that are not eligible for social insurance benefits, or whose entitlement to such benefits has expired."²

¹ See Official Journal of the European Union, C217, vol.56, 30 July 2013

² Commission Staff Working Document of 17 February 2010 on "*Proposal for the Joint Report on Social Protection and Social Inclusion 2010*"
<http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%206323%202010%20ADD%201>

In the framework of the Social Investment Package, the assessment of the implementation of active inclusion strategies at national level³ found that challenges persist regarding national minimum income schemes when it comes to adequacy, coverage, non-take-up, links to activation, and efficient and effective delivery.

In June 2013, EPSCO Council concluded that:⁴

- (8) *Social policy reforms should also be informed by the principles of active inclusion, thereby enabling and supporting the most disadvantaged to participate in the labour market and society. These measures should include those that combine: access to adequate income support, which can be informed by evidence-based tools, for example the use of reference budgets or similar instruments at national level where these are appropriate; effective activation measures that involve a proper balance between rights and responsibilities; and access to a wide range of services that support economic and social inclusion"*

Further, the Council invited the Commission, Member States, and the SPC:

- (20) *to work together, as part of efforts to pursue an active inclusion strategy, to examine the methodology and possible usefulness of reference budgets or similar instruments that respect national competences and can demonstrate an added-value in the design of efficient and adequate income support;*
- (27) *to give increased attention to the design and implementation of comprehensive active inclusion strategies, which encompass adequate income support, active labour market policies and access to enabling services, as part of National Reform Programmes and the European Semester process, as well as National Social Reports, in line with the European Commission Recommendation on Active Inclusion (2008);*

³ European Commission Staff Working Document of 20 February 2013 on *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*: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52013SC0039:EN:NOT>

⁴ Council conclusions : "Towards social investment for growth and cohesion" EPSCO Council meeting Brussels, 20-21 June 2013

Following the above Council conclusions, the Commission launched work on developing a methodology on reference budgets that could be used as a tool to assess minimum income adequacy.⁵ The possible usefulness of reference budgets will be discussed by the SPC and its Indicator Sub-Group during the second semester of 2014.

1. Evolutions of minimum income provisions

This chapter provides a brief overview of minimum income schemes in the euro area drawing on a questionnaire⁶ to the Member States on social benefits.

1.1 Availability of minimum income schemes in the euro area and their basic features

The analysis of the answers shows that the provisions for national minimum income exist in all euro area countries except EL and IT. In these two countries there are no nation-wide provisions for granting minimum income. In the case of ES, the provisions for granting minimum income are specific to each region and are a regional competence.

⁵ Reference budgets can be a tool to ensure different types of households live on a designated level of well-being. Given the household composition, the disposable income and some other characteristics (like housing situation, transportation), a budget is given that suits the situation of the individual household. They can be based on empirical data or based on consumer opinion (focus groups). The European reference Budgets Network is a pilot project, funded by the European Commission and initiated by the European Parliament, aimed at the development of a common and widely accepted methodology for constructing high-quality cross-nationally comparable reference budgets in all EU Member States.

⁶ The questionnaire had a twofold objective : a) to present the current provisions in the euro area on the four policy strands mentioned above; and b) to present the changes in these provisions over the last 24 months as a proxy for policy measures to tackle the social consequences of the crisis. The MISSOC database was also used to crosscheck the information and the interpretation of the answers received from Members but also to include in the analysis those Member States that did not respond to the questionnaire

The case of IT is more complex. Although IT does not have a national scheme for minimum income, some municipalities introduced local minimum income schemes that are subject to budgetary capacity. Further, due to the high fiscal cost of a national scheme for minimum income, IT decided to implement a new pilot project Support for Active Inclusion which is intended to cover the whole territory involving a very targeted approach and linked to previous labour market participation. Italy's 2014 National Reform Programme states that "the pilot project focuses on families with children, but the ultimate goal is universal coverage of the poor."

1.2 *The general design of means-tested benefits*

In all countries the minimum income benefits are means-tested fixed monthly amounts granted to individuals and households meeting certain eligibility criteria for individual or household income and/or assets. The level of the benefits varies from country to country reflecting different socio-economic situations and policy choices.

The NL and MT report that their minimum income benefits are defined as a share of the minimum wage. The minimum income benefits in these countries are subject to fluctuations in function of the evolution of the minimum wages. In all other cases, minimum income benefits are not linked to the minimum wage.

In all cases, beneficiaries of minimum income are also eligible to other social allowances aimed at contributing toward meeting housing, heating or educational costs.

In LV and in the NL although there is a centrally decided level of the minimum income benefits, claimants can also receive additional minimum income support granted by the municipalities.

1.3 Duration of minimum income entitlements

In a great majority of the euro area countries, the entitlement to the minimum income benefits is unlimited provided the claimants continue to meet the eligibility criteria (AT, BE, CY, EE, FI, FR, DE, IE, LV, LU, MT, NL, SK).

SI grants minimum income for 3-6 months (with possibility to renew it under certain conditions). Similar arrangements apply in LV. In ES the duration of the entitlements varies from one region to another. Further, in three autonomous regions of ES, the duration to the minimum income entitlement is unlimited.

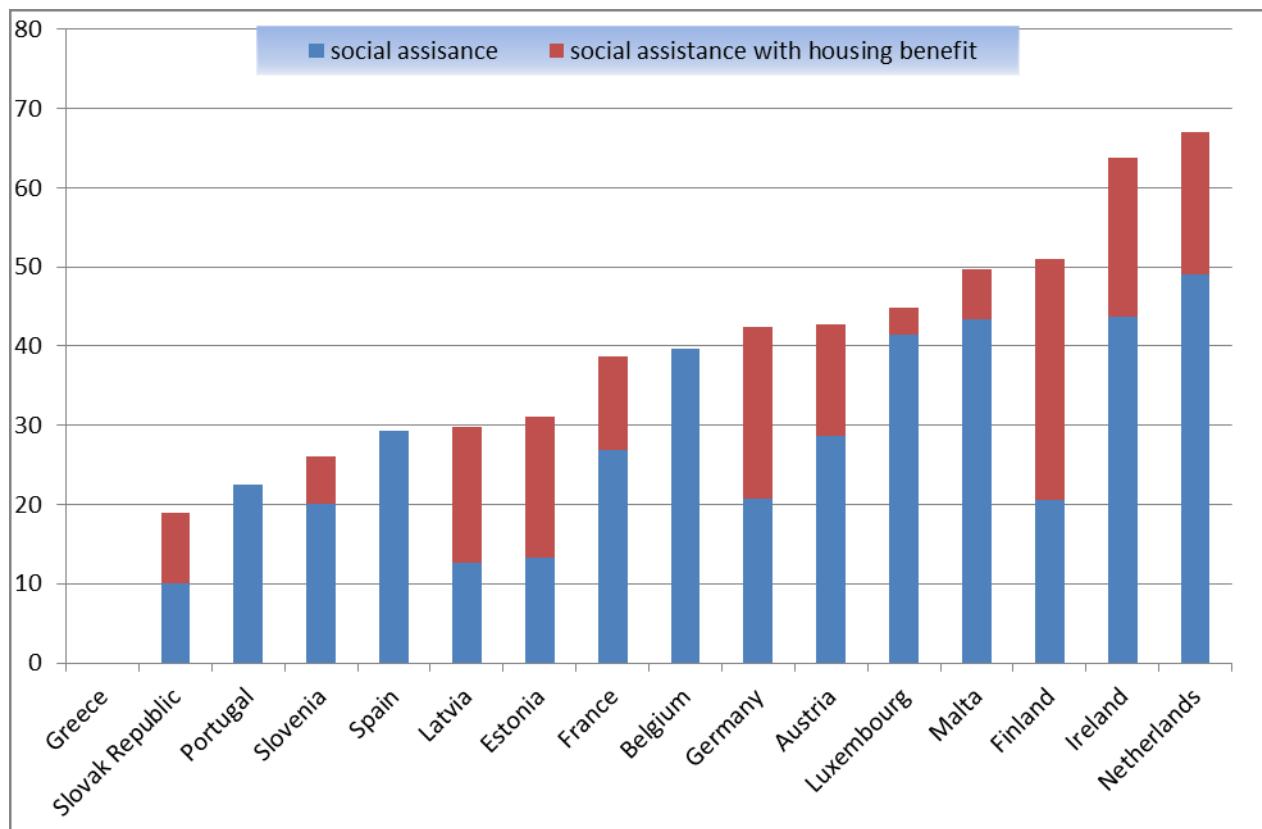
The NL and FI (partially) report that the entitlement to minimum income benefits is subject to participation in active labour market measures. FR and LU report eligibility checks on a quarterly basis.

1.4 Levels of minimum income support

Regarding overall income support, it should be noted that in some Member States, minimum income claimants also receive additional assistance for specific needs, such as housing benefits, contributions to fuel costs and means-tested child benefits. Though not formally classified as ‘guaranteed minimum income benefits’ these contribute to the level of income that is guaranteed to people supported by minimum income schemes.

Measuring adequacy remains a complex task. In a number of Member States, for some types of households, minimum income benefits alone are not enough to lift people out of being at risk of poverty. The chart below shows the level of net social assistance as a percentage of the median household income in selected EU countries. There is a range of levels of support across Member States: IE and the NL have social assistance support (including housing) above 70 % of the median household income, while SI, PT, and SK all have social assistance support below 30 % of that level.

Figure 1. The level of net social assistance as a percentage of median household equivalised income in the euro area,⁷ Single household, 2011



Source: OECD (Tax and Benefit Model, Income Distribution Database)

Clear systems and procedures for regular reviewing of the level of minimum income schemes are important to ensure they remain adequate over time. The current work as one of the Social Investment Package deliverables on developing a common EU methodology on reference budgets can support this.

⁷ Italy and Cyprus excluded – no data available.

2. Recent changes to the provisions of minimum income in the euro area

Looking at the policy changes implemented in the past 24 months, the analysis of the questionnaire shows the majority of the euro area countries confronted the social consequences of the crisis by maintaining normative stability of their provisions for granting minimum income.

According to the analysis, LV, CY and IT are the three countries that initiated reforms of their provisions for minimum income and access to services over the last two years. EL is also in the process of launching a pilot on minimum income support with the potential to roll out nationally at a later phase.

LV shortened the duration of minimum income entitlements from 6-12 to 3-6 months but kept its provisions for renewal.

CY decided to respond to the increase in the number of people living at risk of poverty and social exclusion and to the fragmented current provisions for welfare benefits by launching a reform : a new Guaranteed Minimum Income (GMI) will replace the existing public assistance benefit with the aim to supplement the minimum living costs of any person that finds himself or herself unable but willing to earn an adequate level of income. GMI scheme is a means-tested benefit targeting families with income that is not adequate to cover their basic needs. The basic needs refer to nutrition, clothing and footwear, water supply, electricity and decent housing.

In the case of IT, the reform consists in extending the pilot provisions of in-kind support to poor households (initially with children) across the country on the basis of a 'social card' combined with activation and access to services. It aims for universal coverage of the poor of this measure.

Reported changes in the take-up of the minimum income benefits

AT, ES, LU, MT and the NL report annual increases in the number of beneficiaries of their minimum income schemes. In the case of AT, the annual increase (2011-2012) is 14,5%⁸. In the case of ES, the increase between 2010-2011 is 7,11% and it is 1,68% for the period 2011-2012. In the case of LU, the annual increase between 2011-2012 and 2012-2013 is equal to 2% for each period. In MT the reported annual increase is 11,6% between 2011-2013

Although FI reported a decrease in the number of beneficiaries, it reports an increase of the expenditure for minimum income.

All other countries reported either a decrease in the number of beneficiaries or did not provide figures. Table 1 summarises the arrangements for minimum income in the euro area as described by the answers to the questionnaire.

Table 1 : Overview of minimum income arrangements in the euro area

Minimum income benefit	Centrally set	AT, BE, CY, EE, FI, FR, DE, IE, LU, LV, MT, NL, PT, SK, SI
	Regionally set	ES, IT
	Defined as a % of the minimum wage	NL and MT
	No relation with minimum wage	AT, BE, CY, EE, ES, FI, FR, DE, IE, LU, LV, MT, NL, PT, SK, SI
	Unlimited entitlement to the benefit	AT, BE, CY, EE, FI, FR, DE, IE, LU, MT, NL, PT, SK,
	Limited duration of the entitlement	LV, ES and SI
	Recent structural reforms	CY, LV and IT
	Increases in the take-up of the benefit (2011-2013)	AT, ES, FI, LU, and the NL

⁸ This increase was significantly influenced by easier access to the newly designed benefit and a higher take-up rate due to high media presence of the benefit during that time. It can thus not be interpreted as an indicator pointing to an increase of poverty, which remained broadly stable according to the relevant SILC-indicators.

Conclusions

With regard to minimum income and social assistance schemes - which play an essential role in maintaining adequate livelihoods at critical moments of life- almost all of euro area Member States have in place provisions for granting minimum income benefits, after a means-test, to eligible individuals and households. The remaining Member States are taking preparatory measures for developing such schemes. The level of these benefits varies across the euro area and reflects country specific economic and social conditions and political choices.

The majority of euro area Member States maintained normative stability in the provisions of minimum income in the last 24 months to cushion the social consequences of the crisis and in particular maintained the unlimited duration of the entitlement to minimum income as long as the eligibility requirements are met.

The Committee highlights that some Member States reported an increase in the take-up of minimum income most likely due to the worsening of the social situation and the increase of the number of persons no longer eligible for unemployment benefits.

The Committee stands ready to complete this work by integrating the arrangements for minimum income in all other Member States.

- Annex 1 : Provisions for minimum income

Guaranteed minimum income	
	<p><i>Current level of the minimum income support and where relevant methodology for defining its level</i></p> <p><i>Current maximum duration of the eligibility for minimum income support as compared to July 2011.</i></p>
AT	<p>Minimum standards (<i>Mindeststandards</i>) are fixed for food, clothes, personal hygiene, household items, heating and electricity as well as personal needs for an appropriate participation in social life.</p> <p>A 25%-share of housing costs is included in the minimum standards (see “Cash benefits, 1. Determining factors, Level and sufficiency of actual resources”).</p> <p>The minimum standards are based on the compensation supplement (<i>Ausgleichszulage</i>).</p> <p>The level of the benefit is linked to the reference rate for compensatory supplements payable on minimum pensions. In 2014, this would correspond to a net amount of €813,99 for singles, (married) couples would receive a net amount of €1,220,99 and minors €146,52 at least. Means-tested minimum income is to be paid out twelve times a year.</p>
BE	<p>Integration income (<i>revenu d'intégration/leefloon</i>): ensures a minimum income to persons without sufficient resources and unable to procure them by personal effort or other means.</p> <p>A person is considered to be in need if his/her resources are lower than the amounts of the integration income (<i>revenu d'intégration/leefloon</i>):</p> <p>Monthly amounts for a cohabiting person : €534.23; for a single person: €801.34;</p> <p>For a person living together with a dependent family: €1,068.45.</p>

CY ⁹	<p>The basic needs allowance (<i>Δημόσιο βοήθημα για βασικές ανάγκες</i>) is revised according to the yearly consumer price index:</p> <ul style="list-style-type: none"> • €452 for the head of the house-hold, • €26 for every dependent person over 14 years of age (incl. spouse), • €135.60 for every dependent person under 14 years of age. <p>Various supplementary allowances, see MISSOC Table XI-14.</p> <p>At Christmas the beneficiary receives an extra allowance equal to 80% of the amount of the basic needs allowance.</p>	<p>No time limits.</p> <p>In 2011: idem Reform in 2014</p>
EE	<p>Subsistence benefit (<i>toimeuleukotoetus</i>):</p> <p>The subsistence level is set on the basis of minimum expenses (consumption of food, clothing, footwear and other goods and services satisfying primary needs). Monthly amount of subsistence level in 2013:</p> <ul style="list-style-type: none"> • Single person or first person in the household: €76.70, • each following household member (including the child(ren)): €61.36. <p>The recipient of subsistence benefit whose family members are all minors (under 18 years of age) has the right to receive a supplementary social benefit (<i>Täiendav sotsiaalitoetus</i>) of €15 in addition to the subsistence benefit.</p> <p>The exact amount of the subsistence benefit depends on family composition and housing expenses.</p>	<p>No maximum duration. Reviewed monthly.</p> <p>In 2011: idem.</p>

⁹ As of 1.07.2014 the new Guaranteed Minimum Income (GMI) will be enforced

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FI	<p>Basic social assistance benefit:</p> <ul style="list-style-type: none"> • Single person €77.26 and single parent €24.99 per month; • Other persons at least 18 years of age: 85% of the abovementioned amount; • Child who is 18 years or older and lives with his/her parents: 73% of the abovementioned amount; • Child 10 to 17 years of age: 70% of the abovementioned amount; • Child under the age of 10: 63% of the abovementioned amount. <p>For families with children under 18 years of age, the basic amount is decreased by 5% from the 2nd child and by 10% for each child from the 3rd child on.</p>	The duration is unlimited. In 2011: idem.
FR	<p>Active solidarity income (<i>revenu de solidarité active</i>, RSA):</p> <ul style="list-style-type: none"> • Single person: €483.24 • Single-parent family with 1 child: €827.38 • Couple with 2 children: €1,014.84 • Couple with 3 children: €1,208.14 <p>Amounts including family benefits except for certain special benefits.</p>	Granted for periods of three months. In 2011: idem.

DE	<p>Assistance towards living expenses (<i>Hilfe zum Lebensunterhalt</i>): Since 1 January 2014 the normal requirements (<i>Regelbedarfe</i>) are as follows throughout Germany:</p> <ul style="list-style-type: none"> • €391 for persons living alone or for single parents, • €351 for cohabiting spouses, registered partners and other partners, • €313 for other adult person who belongs to the joint household, young person under 25 who moved houses without prior assurance <ul style="list-style-type: none"> • €229 for children under the age of 6, • €261 for children aged between 6 and 14, • €296 for children from the age of 14 onwards. <p>Additionally, beneficiaries receive the actual costs for housing and heating of an appropriate dwelling. The statistical base for determining the normal requirements is the sample survey of income and consumption (<i>Einkommens- und Verbrauchsstichprobe (EVSt)</i>). The amount of the normal requirements is based on the actual expenditure of households in the lower income range (the lower 15% for normal requirements of adults and the lower 20% for normal requirements of children).</p>	<p>Unlimited, as long as the situation of need lasts. In 2011: idem.</p>
GR	<p>There is no general or specific scheme for guaranteed minimum resources in Greece.</p>	n/a

IE	Supplementary Welfare Allowance (monthly rates): <ul style="list-style-type: none"> • Single person: €806 • Couple without children: €1,347 • Couple with one child: €1,476 • Couple with 2 children: €1,605 • Couple with 3 children: €1,734 • Single parent family with one child: €935 • Single parent family with two children: €1,064 	Unlimited duration. In 2011: idem.
IT	All child dependants are treated the same. €29.80 per week, regardless of age.	The regulations on minimum income support vary according to the regions and the municipalities.
LU	The regulations on minimum income support vary according to the regions and the municipalities.	The regulations on the duration of eligibility for minimum income support vary according to the regions and the municipalities.

LV	The Guaranteed minimum income benefit (<i>Pabalsts garantētā minimālā ienākuma līmeņa nodrošināšanai</i>) is calculated as the difference between the amount set by the Cabinet of Ministers (LVL 35 (€50) = GMI level) and the person's or the household's income. The municipality can establish a higher GMI level (but not higher than LVL 90 (€128)) for various groups of persons.	Granted for a period of 3 to 6 months and renewable. In 2011: Guaranteed minimum income benefit was paid for a longer duration, i.e. for a period of 6 months or 12 months and renewable.
MT	<p>The social assistance benefit varies according to the level of means of the household and the latter's number of persons.</p> <p>The threshold is €8.15 per week for the first adult and a further €8.15 per week for each additional and eligible member of the household.</p> <p>Case examples, monthly amounts (weekly rates x 4.345) for households with no other income:</p> <ul style="list-style-type: none"> • Single person: €426.46, • Couple without children: €461.87 • Couple with 1 child: €497.29, • Couple with 2 children: €532.70, • Couple with 3 children: €568.11, • Single parent, 1 child: €461.87, • Single parent, 2 children: €485.47. 	<p>Unlimited as long as the stipulated conditions are satisfied.</p> <p>In 2011: idem.</p>

NL Monthly net standard rates (excluding family benefits) for persons aged 21 to the legal retirement age (<i>AOW-gerechtigde leeftijd</i>): <ul style="list-style-type: none"> • Married couples/cohabitants with or without children: €1,323,53 • Lone parents: €926.47 • Single persons: €661.77 In addition, a holiday allowance is paid of 5% of these rates.	Lower rates for single persons aged 18, 19 or 20. Lone parents and single persons can get an additional allowance up to €264.71 from the municipality.
PT Social integration income (<i>Rendimento social de inserção</i>): <p>Difference between the theoretical amount of the social integration income in relation to the number of family members and the entire family income.</p> <p>Amount: €178.15 (indexed to the indexing reference of social support IAS (<i>indexante dos apoios sociais</i>), calculated as follows:</p> <ul style="list-style-type: none"> • for the claimant/beneficiary: 100% of the amount of the social integration income; • for each adult: 50% of that amount; • for each minor: 30% of that amount. 	Twelve months, renewable. In 2011: idem.

SK	<p>The mechanism for calculating the amount of assistance of material need (benefit and allowances) is based on the difference between the sum of entitlements to the benefit in material need (individual or a household) plus the allowances to the benefit (health care allowance, housing allowance, protective allowance, and activation allowance) and the income.</p> <ul style="list-style-type: none"> • €60.50 for singles, • €15.10 for single parents with 1 – 4 children, • €05.20 for couples without children, • €157.60 for couples with 1 – 4 children, • €68.20 for single parents with 5 + children, • €12.30 for couples with 5 + children. <p>- Monthly amount of protection allowance: € 63.07 for those having reached pensionable age, or people with disabilities (having lost more than 70% of ability to work), or caring for a severely disabled person, or for single parents caring for a child up to the age of 31 weeks.</p> <p>- The activation allowance aims to motivate the person in need to be active (e.g. aims to support employability e.g. by participation in education, back-to-work training programmes or performance of minor community work etc.) and its monthly amount is: €63.07.</p> <p>- Monthly amount of housing allowance for those paying the cost of lodging: €55.80 for individuals; €89.20 for household of 2 and more people.</p> <p>Benefit for a child servers to ensure his/her basic living conditions and assistance in material need, if the child fulfils compulsory school attendance, €17.20 per month.</p>	<p>Paid for as long as the situation of material need lasts.</p> <p>In 2011: idem.</p>
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SI	<p>Financial Social Assistance (<i>denarna socialna pomoč</i>):</p> <p>Monthly amounts for:</p> <ul style="list-style-type: none"> • first adult, or a single person or an adult who is in institutional care: €61.56; • first adult, or a single person who is economically active in the range of 60 to 128 hours per month: €34.80; • first adult, or a single person who is economically active in a range of more than 128 hours per month: €408.03; • a single person between the age of 18 and 26, registered with the Employment Service with a permanent residence at the same address as his/her parents or actually residing with them: €83.09, • a single person who is permanently unemployable or permanently incapable of work or who is older than 63 years (women) or 65 years (men) and who has his/her registered residence at the same address as a person who is not a family member as defined by law and has sufficient own means of subsistence or is actually residing with him/her: €183.09, • every next adult person: €30.78, • every next adult person economically active in a range of more than 128 hours per month: €204.02, • every next adult person who is economically active in the range of 60 to 128 hours per month: €67.40, • first, oldest child with the status of student: €32.79, • every next child with the status of student: €206.63, • first, oldest child without the status of student: €183.09, • every next child without the status of student: €156.94, • increase for each child in a single-parent family if no subsistence benefits are received: €26.16. <p>If a single person has means which are lower than the amounts provided in the table the amount of Financial Social Assistance is defined as the difference between Financial Social Assistance and the amount provided in the table.</p>	<p>IThe benefit cannot be granted for a period longer than 3 months when granted for the first time. It can be prolonged for 6 months if circumstances remain unchanged. In special cases (women above 63 and men above 65 and other relevant circumstances) benefits may be granted for a maximum of 12 months.</p> <p>In 2011: The same as in 2013 except that in 2011 special cases were mentioned as people above the age of 60 as compared to the age of 63 (women) and 65 (men) respectively in 2013.</p>
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ES	<p>Regulation on minimum income support varies according to the different regions, but covers the whole national territory. 2013 Average amounts:</p> <ul style="list-style-type: none"> - Average amount for the entitled person: 418.58 €/month - Maximum amount for the whole household: 652.16 €/month. - <p>Minimum income average amount in autonomous communities is, in general, linked to either the minimum inter-professional wage or the public income indicator of multiple effects. In some cases, the amount is not linked to these indicators, as in Ceuta, La Rioja and Comunidad Valenciana.</p>	<p>Duration: It varies depending on the legislation of the autonomous communities.</p> <p>Minimum income support's general duration is, on average, 6-12 months, that can be extended for a limited period.</p> <p>Different duration of the provision in autonomous communities exist:</p> <ol style="list-style-type: none"> 1. Indefinite length of minimum income provision: in Asturias, Castilla y León and Madrid. Cantabria is a special case: when exhausted, the maximum length of effective provision (24 continuous months) of the benefit, it can be requested again. A 2013 amendment set a maximum length of the provision of 24 months in Cantabria. 2. The provision can be extended without time limit: in Cataluña and Extremadura. 3. 6 month length: in Andalucía, Castilla-La Mancha, Navarra and La Rioja. It can be temporary extended in the last three. 4. 12 month length: in Aragón, Baleares, Galicia, Murcia, Canarias, Ceuta and Melilla. It can be temporary extended in all of them but Aragón and Baleares. 5. 24 month length: País Vasco. 6. 36 month length (maximum): in the Comunidad Valenciana.
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Source: MISSOC Database (www.missoc.org)

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