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| From:    | The Social Protection Committee   |
| To:      | Permanent Representatives Committee (Part 1)/Council  |
| Subject: | Joint Report from the Social Protection Committee and the European Commission on Minimum Income |

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Delegations will find attached the "Joint Report on Minimum Income", submitted by the Social Protection Committee, with a view to the Council meeting on 17 October 2022.

The key messages which are drawn from this report are contained in doc. 13051/1/22 REV 1.

The Country Profiles annexed to this report are contained in docs. 13051/22 ADD 2-4.

***Joint Social Protection Committee–European Commission  
Report on Minimum Income***

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## CHAPTER 1 – INTRODUCTION

This introduction sets the objectives and the scope of the report, recalls the broader political context and related EU initiatives and activities and outlines the overall poverty trends, including available information on the assessment of the impact of the COVID-19 crisis. It also outlines key common challenges and presents the role of minimum income protection in supporting employment and addressing poverty.

### 1.1. Objectives and scope

Despite the progress achieved in the reduction of poverty and social exclusion in the EU in the last decade, the ambitious Europe 2020 social target of a reduction of 20 million people at risk of poverty or social exclusion in the EU could not be met. In addition, the COVID-19 crisis has highlighted the key role in the capacity and effectiveness of social protection systems to cope with economic shocks.

To address these challenges, **the Employment, Social Policy, Health and Consumer Affairs Council** (1) 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’ and, **in cooperation with the SPC, to ‘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.’** These conclusions were welcomed by the European Parliament in its resolution ‘A strong social Europe for just transitions’ of 17 December 2020, in which it invited the Commission to further build on them by proposing a framework for minimum income schemes with the purpose of safeguarding the right to a decent life and eradicating poverty.

In March 2021, the European Pillar of Social Rights Action Plan announced that in 2022, the Commission will present a proposal for a Council Recommendation on minimum income to support the policies of Member States in alleviating poverty and social exclusion. The SPC followed up on the council conclusions and agreed to deliver the first joint report on minimum income ahead of the Commission proposal for the Council recommendation. It mandated the indicators’ sub-group to elaborate a draft of the report that could then be discussed and endorsed in the SPC by June 2022.

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(1) See footnote (2).

**Principle 14 of the European Pillar of Social Rights 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.’* The report deals with the main elements of the principle, in terms of discussing income support, labour market participation and access to services, but focuses on minimum income provision for the working-age population and social assistance benefits for those of economically active age as referred to in the benchmarking framework on minimum incomes. Due to the interaction of minimum incomes within the broader social protection systems, the potential links with other benefits available for the target group are also considered.

The outline of the report was elaborated in the indicators’ sub-group and agreed in the SPC meeting of September 2021. It underlined that the report relies on the benchmarking framework on minimum income, as mentioned in the Council Conclusions, in particular selected outcome, performance and policy lever indicators from the framework, complemented with other data and qualitative information to support the analysis. It also underlined that all three policy strands of the active inclusion approach should be covered.

## **1.2. Policy context and related EU initiatives**

The EU framework as regards minimum income schemes entails a number of legal and policy instruments related to principle 14 of the European Pillar of Social Rights.

In 1992, the Council adopted a **Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems**. It established a guarantee of a minimum level of resources as a common objective and set out the principles and guidelines by which this objective could be achieved. A report from the Commission in 1999 concluded that the recommendation helped to structure and encourage the debate between Member States on the role and development of minimum income schemes, fostered the convergence of such schemes across Member States and provided a basis for a more systematic cooperation at the EU level. In 2000, the Nice European Council adopted common objectives for the implementation of the open method of coordination (OMC) in the field of social inclusion, which incorporated the objectives stated in the recommendation.

In 2008, the Commission adopted a **Recommendation on active inclusion of people excluded from the labour market**. It built on the 1992 Council recommendation and promoted a comprehensive strategy based on integrating three pillars: adequate income support, inclusive labour markets and access to quality services. The recommendation has been widely used by the Commission in its policy guidance (e.g. regarding the European Social Fund programming and the European semester).

In 2013, the Commission's Social Investment Package **reviewed the implementation of the 2008 recommendation** and recalled the importance of integrated active inclusion policies. The assessment confirmed the validity of the recommendation's approach, but acknowledged that progress in implementing it at the national level had been relatively limited.

The 2016 Council Recommendation on the integration of the long-term unemployed into the labour market <sup>(2)</sup> recommends that Member States provide individual support to long-term unemployed and encourage a better coordination of involved services.

Another **evaluation of the 2008 Commission recommendation** was published in 2017 as a document accompanying the European Pillar of Social Rights. The evaluation emphasised again the importance of an integrated approach, the need to better reflect on the link between activation and income support, the need for a clearer focus on adequate support for the social inclusion of those who cannot work and the necessity of active involvement of all relevant stakeholders.

Active inclusion policies (as defined by the policy framework) are monitored in the European Semester, including by both SPC and the Employment Committee in their respective fields. Since 2012, active inclusion has been part of the Annual Growth Survey. Consequently, the country-specific recommendations (CSRs) have systematically addressed various challenges around active inclusion.

**A benchmarking framework on minimum income has been agreed by the SPC and implemented within the European semester** since 2018 (see Box 1), in particular in the *Joint Employment Report* (JER) and the Country Reports, strengthening analytical underpinning and horizontal consistency. It has also been used to further support the Employment Committee and SPC Multilateral Surveillance reviews of the CSRs <sup>(3)</sup>. It should also be followed by country-specific analyses that allow to further ascertain the specific national situations.

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<sup>(2)</sup> Council Recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (OJ C 67, 20.2.2016).

<sup>(3)</sup> In addition, the results proved to be useful for the identification of both Key Employment and Social Challenges and Good Social and Labour Market Outcomes of the social protection performance monitor. The newly selected outcome (material and social deprivation rate), performance (coverage rate of social benefits) and policy lever indicators for adequacy in the field of minimum incomes were also introduced in the Joint Assessment Framework (JAF).

## Box 1. Overview of the benchmarking framework in the area of minimum income

The benchmarking framework in the area of minimum income was approved by the SPC in June 2018, including its use in the European semester. It focuses on the working-age population with working abilities not in employment and not eligible or having exhausted entitlements to social insurance benefits. Three key policy levers could be identified for minimum income schemes that are most likely to affect the performance (i) adequacy of benefits; (ii) eligibility rules and take-up of benefits; and (iii) activation and access to services. The framework includes the following indicators.

### Outcome indicators

- Relative at-risk-of-poverty gap of the working age population
- Material and social deprivation rate of the working age population
- At-risk-of-poverty rate of the population living in (quasi-)jobless households

### Performance indicators

- Impact of social transfers (excluding pensions) on the poverty of the working age population
- Persistent at risk of poverty rate of the working age population
- The benefit recipient rate for people at risk of poverty in (quasi-) jobless households
- Gap in self-reported unmet needs for medical examination
- Gap in housing cost overburden rate
- Gap in non-participation in training related to professional activity

### Policy levers.

#### 1) Adequacy of benefits:

- Income of a minimum income beneficiary as a share of the at risk of poverty threshold
- Income of a minimum income beneficiary as a share of the income of a low wage earner

#### 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.*' **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 (means testing and residence requirements).

#### 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.*' The benchmarking framework **does not include related policy lever indicators**. It does contain a related performance indicator (gap in access to services) and some contextual information in the area of activation of minimum income beneficiaries (in particular on financial incentives and activation requirements).

A related benchmarking framework was agreed in the SPC in 2021 for childcare and support to children to monitor two key aspects of principle 11 of the European Pillar of Social Rights – children's right to affordable early childhood education and care of good quality and children's right to protection from poverty, also reflecting the goals of the **Council Recommendation on the European Child Guarantee**.

In order to continuously gather information and facilitate mutual learning and exchange of practices within the Open Method of Coordination, a network of national authorities responsible for minimum incomes (MINET) has been established as a working group of the SPC, allowing a regular structured dialogue among Member States. MINET



contributed to the joint report by looking into country-specific information that fed into the country fiches in Volume 2.

### 1.3. Overall poverty trends and key challenges

**Poverty and social exclusion have declined in the EU in the last decade.** In 2019, around 91 million people <sup>(4)</sup> (of which 17.9 million were children aged 0–17) were at risk of poverty or social exclusion in the EU, close to 12 million less than in 2008 and around 17 million less than the peak in 2012. The improvement was mainly driven by strong falls in the population experiencing severe material deprivation and to a lesser extent in the number of people living in quasi-jobless households, while the population at risk of poverty actually increased. These overall trends were not systematically accompanied by convergence between Member States. For almost half of the Member States, the rate of people at risk of poverty or social exclusion (AROPE) in 2020 was significantly better than the 2008 level, notably in eastern European countries. Still, higher AROPE rates are observed in some of the countries most affected by the economic crisis (BG, RO, EL, LT, LV but also IT and ES).

**In the shorter term, the share of people at risk of poverty or social exclusion (AROPE) remained broadly stable or decreasing in most Member States in 2020,** though significant differences remain. Swift government interventions helped mitigate the impact of the pandemic on income poverty risks, severe material and social deprivation, and the share of people living in quasi-jobless households. The at-risk-of-poverty (AROP) rate indicator for 2020 (based on EU-SILC, and referring to 2019 income levels) remained fairly stable for all Member States. It should be noted that there can be a significant break in the SILC data for 2020; the analysis in this report factors in this break between SILC 2019 and SILC 2020. According to Eurostat's flash estimates (referring to 2020 incomes), the increase in AROP was contained in at least half the Member States compared to 2019 (and slightly declined in EE, LT, FI, RO and CZ). A slight increase is nonetheless estimated for Greece, Spain, Croatia and Slovenia and for Italy to a lesser extent. The severe material and social deprivation rate remained overall stable in 2020, though with little convergence. While a few countries (LT, SK, PL and EL) recorded limited decreases, others saw stability or slight increases (ES, BG and RO). The share of people living in quasi-jobless households also remained stable, mirroring policy efforts to contain job losses.

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<sup>(4)</sup> Based on the old AROPE definition.

**In a longer-term perspective,** Member States have generally been more effective in raising living standards and making sure that needs for basic goods and services are more widely met (i.e. reducing the severe material and social deprivation rate) and encouraging wider labour market participation (i.e. reducing the share of (quasi-)jobless households) than in reducing the overall AROP rate.

**However, large differences between Member States persist** in the general social situation, as well as in the capacity (or effectiveness) of social protection systems to cope with economic shocks – particularly in terms of adequacy and coverage of income support to households – and the capacity to prevent scarring effects on people by supporting labour market inclusion in particular.

**There has also been a lack of progress at the lower end of the income distribution,** casting doubt on the narrative that economic growth alone will fully address poverty. Income inequality remains at a high level compared to the 2008 pre-crisis period and the share of people at risk of poverty (i.e. monetary poverty) increased over the crisis and then remained broadly stable. Income inequality has been rising in seven Member States since 2008 and the shape of income inequalities over the income distribution varies widely across the Member States. Over the last decade, increases in inequalities were essentially driven by increases in the lower end of the income distribution (see JER 2021). Member States that experience higher overall income inequality (S80/S20) than the EU average generally also feature higher inequalities at the lower and higher ends of income distribution, as indicated by the respective quintile share ratios (S50/S20 and S80/S50). This is, however, more pronounced at the lower end (S50/S20), as in Romania, Latvia, Germany, Italy and Spain. Higher inequality at the lower end also drives overall inequality in countries below the EU average, namely Croatia, Estonia, Slovakia and Sweden. In other Member States (BG, CY, IE, LT, MT <sup>(5)</sup> and PT), the overall inequality stems relatively more from higher-end (S80/S50) inequality <sup>(6)</sup>. In 2021, despite certain improvements in the overall financial situation of EU households, financial distress <sup>(7)</sup> remained particularly high for those on low incomes, suggesting that the financial impact of the crisis continues to be felt much more strongly by those in the lower part of income distribution. Low-income households often faced more difficulties during the pandemic, as for instance they are more likely to live in overcrowded or poor housing conditions and to lack internet access at home.

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<sup>(5)</sup> In Malta, there was however an increased participation in the LM (from 66.2 % of the total population in 2013 to 77.3 % in 2020) and a rise in the number of hours worked for households in employment.

<sup>(6)</sup> See Joint Employment Report JER 2022.

<sup>(7)</sup> The share of households declaring having to 'draw on savings or go into debt to meet current expenditure'. See SPC Annual Report 2021.

**The COVID-19 crisis has highlighted the key role and the effectiveness of social protection systems to cope with economic shocks.** Governments have taken decisive actions to mitigate the socioeconomic impact of the crisis, however most of the support measures are temporary in nature and many responses focus on policies targeting people in employment. There are fewer measures targeting people living on benefits or people in non-standard jobs. Minimum income schemes play a role of last-resort support, when all other means have been exhausted. However, the reliance on existing minimum income schemes varies across Member States, depending on the extent of the capacity of other mechanisms to provide adequate support to households (such as unemployment and other income support benefits). The responses enacted during the crisis provided additional in-cash or in-kind support to complement and increase the protective capacity of existing social protection systems and social inclusion policies. The lessons learnt from the crisis highlighted that additional measures could address structural deficiencies and build (or strengthen) adequate, comprehensive and resilient social protection systems and social inclusion policies that are shock-responsive and include crisis response activation and recovery measures <sup>(8)</sup>.

**Minimum income schemes are non-contributory and means-tested schemes.** They provide a safety net mainly for people who are unemployed and are not eligible for or have exhausted their insurance-based benefits. However, in some countries they provide a ‘top-up’ income in cases of low work earnings. Through means testing, the intention is to provide a safety net that ensures a life in dignity for people who have insufficient means of financial support. However, minimum income schemes are not only about benefits. In order for them to be effective, they should include the delivery of inclusive labour market policies and access to high-quality enabling services. Ideally, they should also provide a springboard for further activation and social inclusion.

## **2. CHAPTER 2 – OVERVIEW OF TRENDS IN OUTCOMES AND PERFORMANCE LEVEL**

As agreed in the benchmarking framework, this section underlines the importance of looking into more granular aspects of poverty or social inclusion, in order to gain a better understanding of the role of policy measures in influencing overarching headline indicators, which are more general (e.g. they cover the total population) and reflect many different factors. The benchmarking framework specifically identified key

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<sup>(8)</sup> Baptista, I., Marlier, E., Spasova, S. et al. (2021), *„Social protection and inclusion policy responses to the COVID-19 crisis – An analysis of policies in 35 countries*, European Social Policy Network (ESPN), Luxembourg; Publications Office of the European Union, Luxembourg, 2021 (<https://op.europa.eu/en/publication-detail/-/publication/38439d7c-24f7-11ec-bd8e-01aa75ed71a1>).

outcome indicators and performance indicators that relate more closely to minimum income schemes.

This chapter presents the state of play, trends and cross examination for the selected outcome and performance indicators <sup>(9)</sup>. In addition, it briefly discusses the potential role of minimum income protection in income stabilisation in times of economic downturn, in conjunction with other employment support and social protection measures.

## **2.1. Poverty and social exclusion trends for the working-age population**

As underlined by the [SPC's Annual Report 2021](#), prior to the outbreak of the COVID-19 pandemic in early 2020, the EU was recovering from many of the negative effects of the financial and economic crisis that hit the EU in 2008–2009, around the start of the Europe 2020 strategy. The EU economy continued to expand and employment reached the highest level ever recorded, while unemployment in the EU returned to below pre-crisis levels in 2019. According to the Social Protection Performance Monitor methodology, with employment having risen strongly, the general financial situation of EU households was improving, as reflected in gross household disposable income. This led to widespread improvements in many of the other social indicators, including reductions in the severe material deprivation rate, the housing cost overburden rate and the risk of poverty or social exclusion of the overall population and for children in many Member States.

Nevertheless, rises in the poverty risk for people living in quasi-jobless households and a worsening in the depth and persistence of poverty in many Member States showed that some aspects of the social situation were still noticeably worse compared to 2008. Other areas where outcomes compared to 2008 worsened in several Member States are related to income inequality and the impact of social transfers on poverty reduction.

The trends considered below cover both long-term trends (SILC 2008–2020 or SILC 2015–2020, depending on data availability) as well as short-term trends (SILC 2018–2020). Convergence over SILC 2008–2020 is also analysed, despite some breaks in data for some Member States <sup>(10)</sup>.

**Overall, the analysis provides a mixed picture of trends over the last decade.**

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<sup>(9)</sup> With a gender perspective where possible.

<sup>(10)</sup> Besides the break in DE data in 2020, there are also some breaks in 2020 data for some of the indicators for other MS such as IE, FR, and LU and a break in BE data for 2019.

- **On one hand, the income of quasi-jobless households has been lagging**, with an increase in poverty among those households, in a context where the poverty gap remained broadly constant and the impact of transfers on poverty slightly declined. However, the benefit recipient rate slightly increased, showing progress in terms of coverage.
- **On the other hand, trends in non-monetary dimensions were more positive**, with a decline in MSD and reductions in the gaps in unmet needs for medical examination or housing cost overburden for quasi-jobless households.

The main elements arising from this analysis can be summarised as follows.

- **The poverty rate of the working-age population in quasi-jobless households** has increased over the last decade and broadly stabilised, with the recovery taking place before the pandemic hit <sup>(11)</sup>. In spite of this average absence of progress, limited convergence has been at play.
- **The depth of poverty of the working-age population in quasi-jobless households** has remained broadly constant over the last decade. Poverty is deeper among quasi-jobless households and there has been no upwards convergence in the poverty gap of the working-age population over the last decade.
- **Material and social deprivation (MSD) of the working age population** was declining sharply before the pandemic hit, with a strong convergence process showing the overall convergence in living conditions in a wide part of the EU. While MSD is significantly higher among quasi-jobless households, the decline has been slightly quicker for them.
- **The impact of social transfers on poverty** has slightly declined since 2008, showing some overall stability in the recovery period before the pandemic hit. In spite of this overall weakening, some convergence took place, with improvements in some Member States with lower than average levels.
- **The benefit recipient rate** among quasi-jobless households at risk of poverty has slightly increased over the second half of the last decade, together with a convergence dynamic.

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<sup>(11)</sup> See SPC Annual Report 2021.

- **The gap in self-reported unmet needs for medical examination** <sup>(12)</sup> declined in the EU over the second half of the last decade, with some convergence at play between Member States.
- **The gap in housing cost overburden rate** <sup>(13)</sup> slightly declined on average in the EU since 2015, with no convergence between Member States.

### ***AROP rate for population aged 18–64 living in quasi-jobless households***

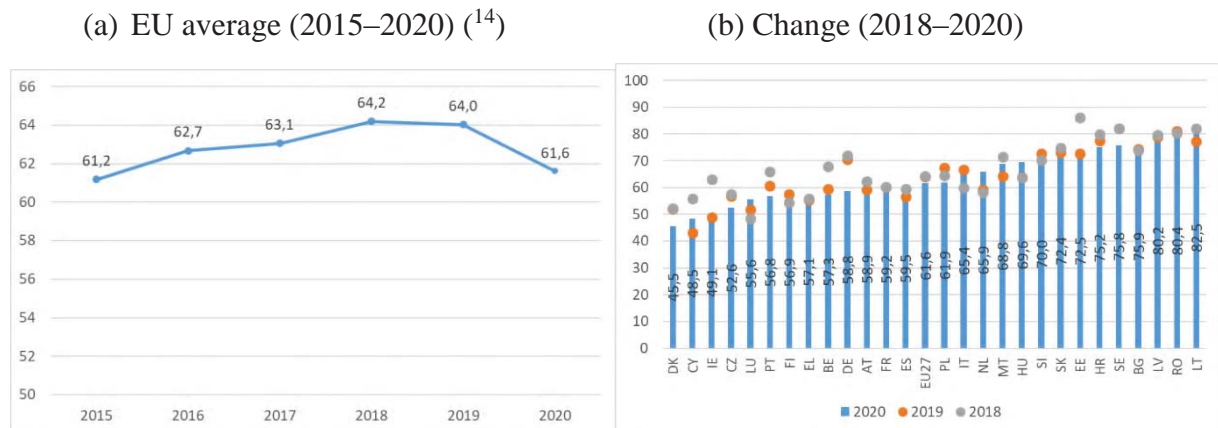
**Poverty is more prevalent among people living in quasi-jobless households**, at around 60 % in the EU for the 18–64 year-old population. This indicator provides a measure of the risk of poverty for people aged 18–64 living in quasi-jobless households: the proportion of people aged 18–64 living in quasi-jobless households whose disposable income is below the national at risk of poverty threshold. Overall, the at risk of poverty rate for those living in quasi-jobless households remained fairly stable over the 2015–2020 period (see Chart 1). However, in comparison with the situation in 2008, the poverty risk for people living in quasi-jobless households has been rising in almost two thirds of Member States (see SPC Annual Report 2021). On average in the EU, the lower the work intensity, the higher the risk of poverty. Quasi-jobless households correspond to households where the work intensity is 20 % or less (i.e. where working-age household members worked in total 20 % or less of their total work potential during the previous 12 months). As minimum income benefits affect the income of these households more significantly, their at-risk-of-poverty rate can be considered as an indicator, pointing to the performance of the social protection system in preventing poverty among those working-age households excluded from the labour market.

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<sup>(12)</sup> Gap in p.p. between the share of individuals (aged 18–64) at risk of poverty AROP from (quasi-)jobless and the share of individuals (aged 18–64) not AROP from non-(quasi-)jobless households. Reason: too expensive or too far to travel or waiting list.

<sup>(13)</sup> Gap in p.p. between the share of individuals (aged 18–64) at risk of poverty AROP from (quasi-)jobless households and the share of individuals (aged 18–64) not at risk of poverty from non-(quasi-)jobless households.

**Chart 1. AROP rate for the population aged 18–64 living in quasi-jobless households**



NB: There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

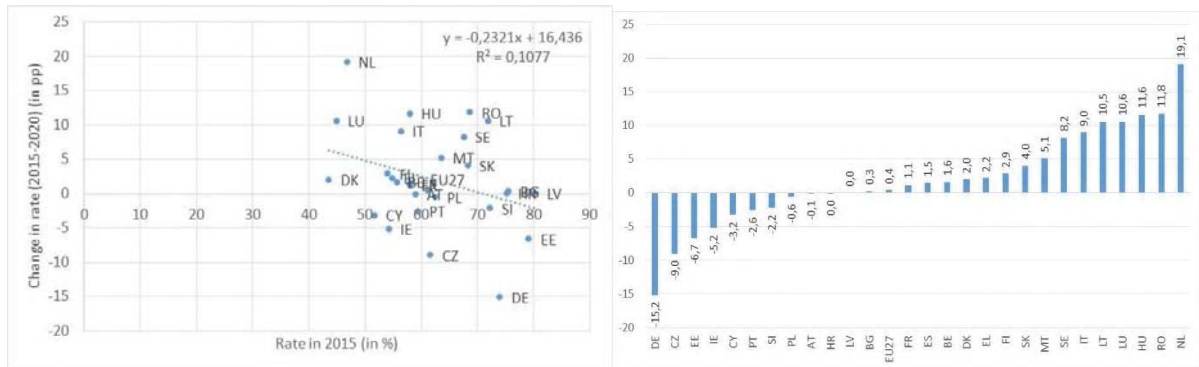
Source: DG EMPL computation based on Eurostat EU-SILC.

**Overall, in the second half of the last decade there has been a slight convergence of the poverty rate of quasi-jobless households (Chart 2).** In some countries that had higher than average rates, the situation improved, especially in Germany, Estonia and Czechia. In addition, there were some increases (deterioration) in some Member States that had lower than average rates in 2015, particularly in the Netherlands (19.1 p.p.), while the situation also deteriorated in some countries that had higher than average rates, such as Romania and Lithuania.

<sup>(14)</sup> In all charts in these chapters, the years mentioned refer to SILC years.



**Chart 2. Convergence in AROP rate for population aged 18–64 living in quasi-jobless households (2015–2020)**



NB: 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.

### **Poverty gap**

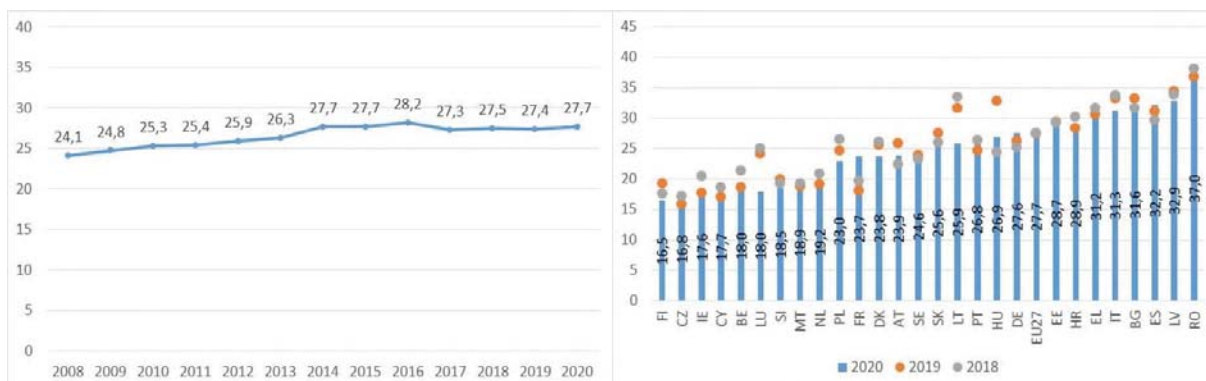
**The depth of poverty has deepened on average in the EU over the last decade** for the working-age population. The poverty gap measures the depth of poverty (i.e. how far from the poverty threshold the income of the median person in the at-risk-of-poverty population lies). It increased on average from around 24 % in 2008 to around 28 % in 2016 and then slightly declined with the economic recovery, remaining at higher levels than at the beginning of the period (see Chart 3). While in some Member States the poverty gap declined, in some others it increased significantly (by more than 5 p.p.) over the last decade (HU, SK, ES, EL, IT, FR and RO, see Chart 4). This overall deepening of poverty for the working-age population relates to various factors, such as particular shifts in labour market attachments or potentially shifts in the coverage and adequacy of income support, as also highlighted by the increase observed in the poverty rate of quasi -jobless households over the last decade.



**Chart 3. Poverty gap for the population aged 18–64**

(a) EU average (2008–2020)

(b) Change (2018–2020)

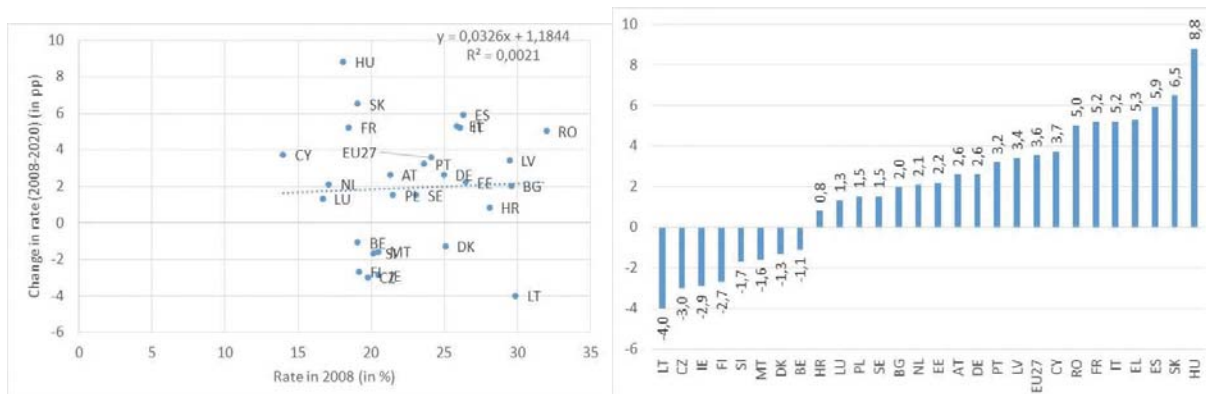


NB: EU-27 was estimated for 2008 and 2009. There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

Source: DG EMPL computation based on Eurostat EU-SILC.

Since 2008, there has been nearly **no convergence in the depth of poverty of the working-age population in the EU (Chart 4)**. Declines in the depth of poverty took place in countries with levels higher than the average (LT) and countries with levels lower than the average (CZ, FI, IE). On the other hand, some increases can be observed in countries with levels higher than the average (RO, EL, ES, DE) or in countries with levels lower than the average (HU, SK, FR, CY).

**Chart 4. Convergence in the poverty gap for the population aged 18–64 (2008–2020)**



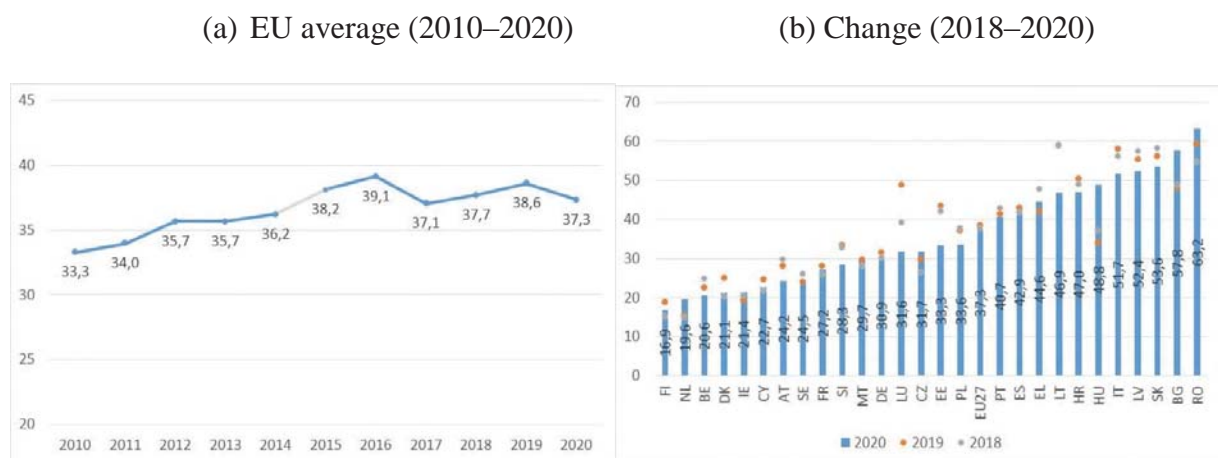
NB: EU-27 was estimated for 2008 and 2009. There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

Source: DG EMPL computation based on Eurostat EU-SILC.

### *Poverty gap for the population aged 18-64 in quasi-jobless households*

**Poverty is deeper among people living in quasi-jobless households, at around 37 % in the EU in 2020 (income year 2019) for the 18–64 year-old population.** For this group, Romania, Italy, Bulgaria, Latvia and Slovakia register the widest poverty gaps (all above 50 %), with some deterioration in most of them (Chart 5). The indicator is lower than 20 % in the Netherlands and Finland. High rates hint at challenges with the adequacy and coverage of benefits. The poverty gap for people living in quasi-jobless households has slightly improved from 2015 to 2020, reaching 37.3 % at the EU level.

**Chart 5. Poverty gap for the population aged 18–64 quasi-jobless households**

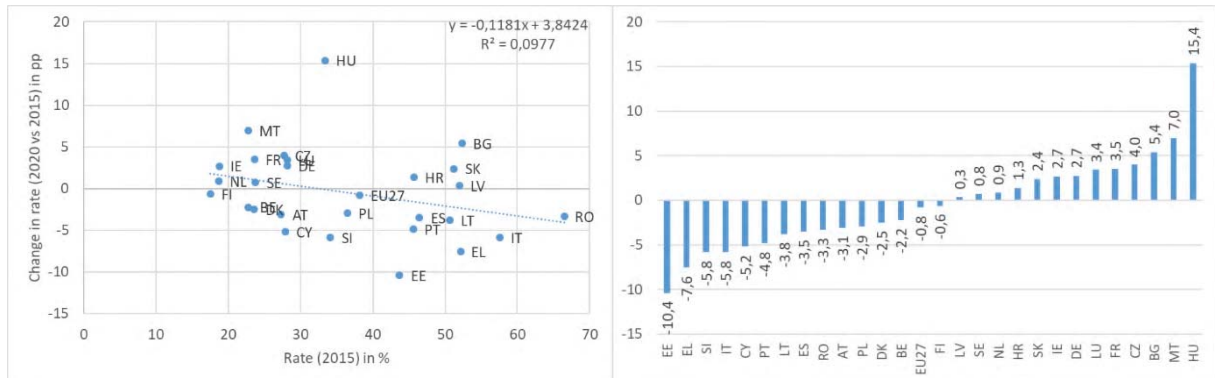


NB: Old VLWI definition for 2010–2014, new definition for 2015–20. There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

Source: DG EMPL computation based on Eurostat EU-SILC.

**Similarly to the poverty gap of the working-age population, no particular improvement in convergence can be observed for those living in quasi-jobless households (Chart 6).** Looking at medium-term changes in the various countries, the highest increase in the depth of poverty can be observed between 2015 and 2020 in Hungary (more than 10 p.p.). On average, the indicator has decreased by 0.8 p.p. in the EU, with a more significant improvement in Estonia (10.4 p.p.).

**Chart 6. Convergence in the poverty gap for the population aged 18–64 in quasi-jobless households (2015–2020)**



NB: There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

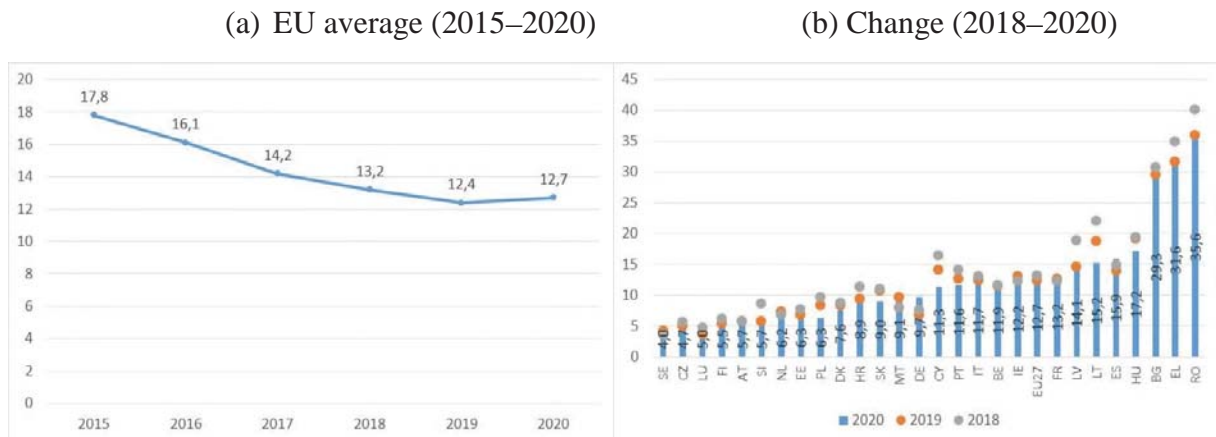
Source: DG EMPL computation based on Eurostat EU-SILC.

### ***Material and social deprivation rate for the population aged 18–64***

**The MSD rate among the working-age population declined sharply over the second half of the last decade**, reflecting the overall economic recovery taking place over the period. This indicator – which provides a measure of material and social deprivation – is based on a basket of 13 items, of which seven relate to the household level (e.g. face unexpected expenses, keep home adequately warm) and six relate to the individual level (e.g. have two pairs of properly fitting shoes, have regular leisure activities). The MSD rate is the share of people lacking (cannot afford) at least five of these items <sup>(15)</sup>. The decline went on in 2019, before the pandemic hit, though at a slower pace and the levels were essentially stable in 2020 (Chart 7). There is a wide dispersion of MSD rates for the working-age population, ranging from around 5 % in some Member States (SE, CZ, LU, FI, AT, SI) to more than 25 % in others (BG, EL and RO).

<sup>(15)</sup> Additional information about the indicator may be found .at <https://ec.europa.eu/social/main.jsp?catId=756&langId=en&id=82>

**Chart 7. MSD rate for the population aged 18–64 (2015–2020)**

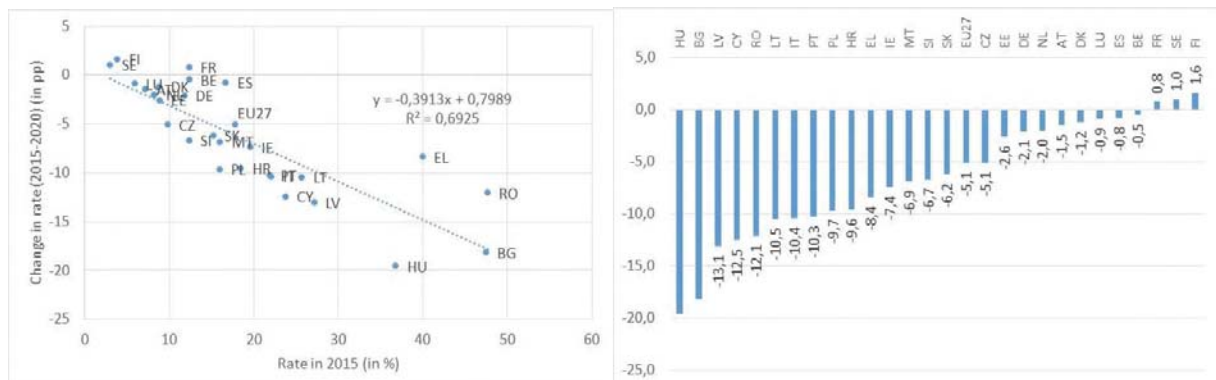


NB: There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

Source: DG EMPL computation based on Eurostat EU-SILC.

**Some strong convergence in MSD took place over the second half of the last decade (Chart 8).** Declines were particularly strong in some Member States which had above-average rates (around 10 p.p. or more in HU, BG, LV, CY, RO, LT, PT, PL and HR), reflecting an overall convergence process in living conditions in the EU during the second half of the last decade.

**Chart 8. Convergence in MSD for the population aged 18–64 (2015–2020)**



NB: There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

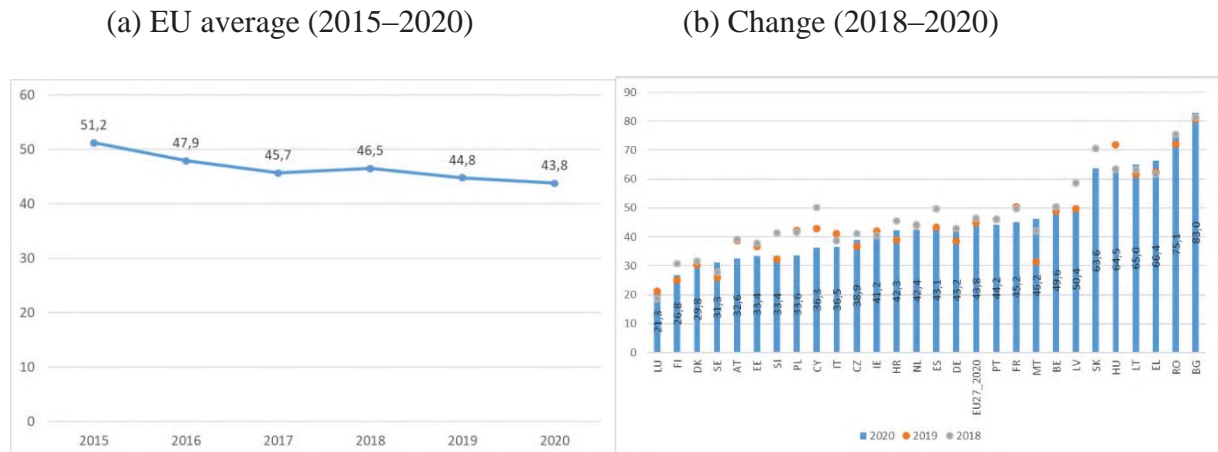
Source: DG EMPL computation based on Eurostat EU-SILC.

### ***Material and social deprivation rate for the population aged 18–64 in quasi-jobless households***

**However, the material and social deprivation rate among those living in quasi-jobless households has declined with a less substantial pace** and shows a significantly higher rate than for the working-age population (Chart 9). The EU average is more than three times higher for this population, standing at 43.8 %. Diversity

appears to be somewhat lower, ranging from around 20 % in some countries (LU, FI and DK) up to above 60 % in Slovakia, Hungary, Lithuania, Greece and Romania, while reaching 80 % in Bulgaria.

**Chart 9. MSD rate for the population aged 18–64 in quasi-jobless households (2015–2019)**

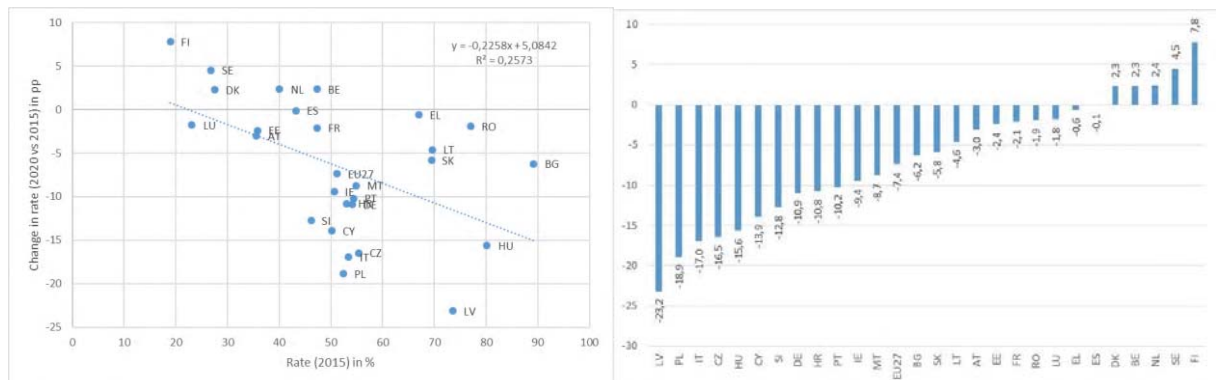


NB: There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

Source: DG EMPL computation based on Eurostat EU-SILC.

**Some convergence in MSD for quasi-jobless households took place over the second half of the last decade (Chart 10).** Some more significant declines can be observed in some Member States which had above average rates (more than 15 p.p. in HU, PL, IT, CZ, LV) but less substantial changes in others (BG, RO, LT, SK and EL) where the rates were above 60 %. It shows an overall weak convergence, in parallel to the increased poverty rate of the same population in the observed period, relating to various factors such as particular shifts in labour market attachments and also pointing to the level of coverage and adequacy of income support.

**Chart 10. Convergence in MSD for the population aged 18–64 in quasi-jobless households (2015–2020)**



NB: 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.

### ***Impact of social transfers (excluding pensions) on poverty for the population aged 18–64***

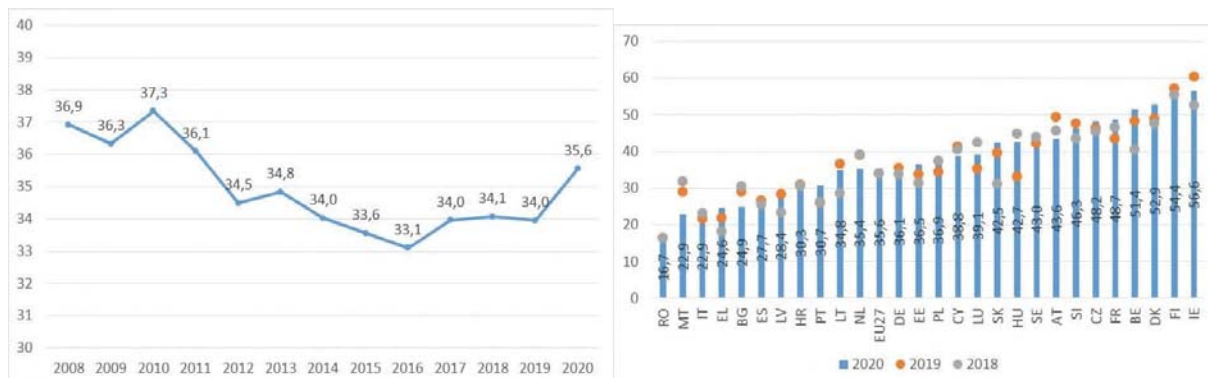
**Overall, the impact of social transfers (excluding pensions) on poverty reduction has declined in the EU-27 since 2008, despite a rise since 2016.** This indicator measures the impact of social transfers (excluding pensions) on the AROP rate of the working-age population. It is calculated as  $(B - A) / B$  from the following two indicators: (i)  $A =$  : at-risk-of poverty rate after social transfers (standard poverty rate); and (ii)  $B =$  : at-risk-of poverty rate before social transfers (but after pensions) <sup>(16)</sup>. On average in the EU, social transfers (excluding pensions) reduced the at-risk-of-poverty rate by about one third. However, there are significant differences across Member States, ranging from about 16 % (RO) to above 50 % (IE, FI, DK, BE) (Chart 11).

<sup>(16)</sup> One may also wish to examine the specific impact of minimum income benefits on the impact on AROP, as captured by the impact of social exclusion benefits not classified elsewhere. 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 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 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.

**Chart 11. Impact of social transfers on poverty (for the population aged 18–64)**

(a) EU average (2008-2020)

(b) Change (2018-20)



NB: 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.

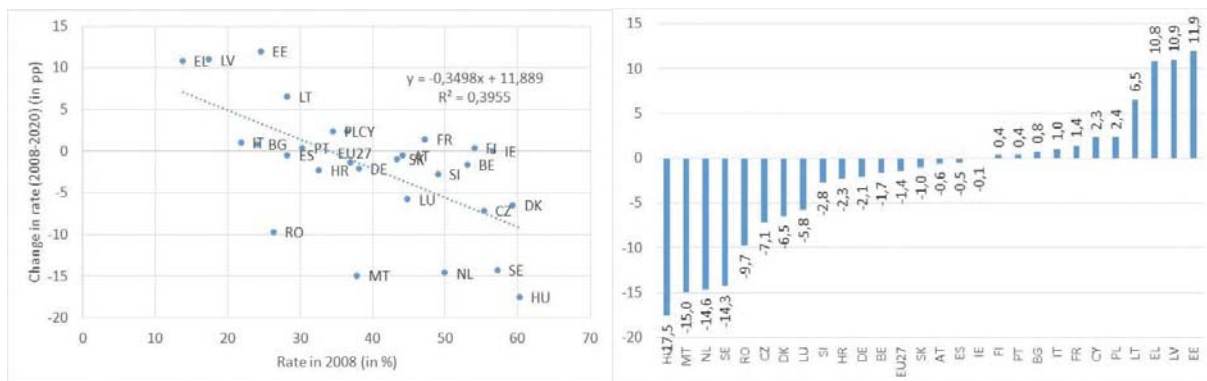
Source: DG EMPL computation based on Eurostat EU-SILC.

**While a decline is observed since 2008, some convergence took place (Chart 12).** Improvement took place in countries where the impact was low back in 2008 (EE, EL and LV), while in some Member States where the indicator previously stood at high level, significant deterioration is shown (HU, NL, SE). In some countries however, the indicator is worsening from an already low level (RO) <sup>(17)</sup>.

**Chart 12. Convergence in the impact of social transfers on poverty for the population aged 18–64**

<sup>(17)</sup> For Malta, this may be due to the high reliance on in-kind benefits.





NB: 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.

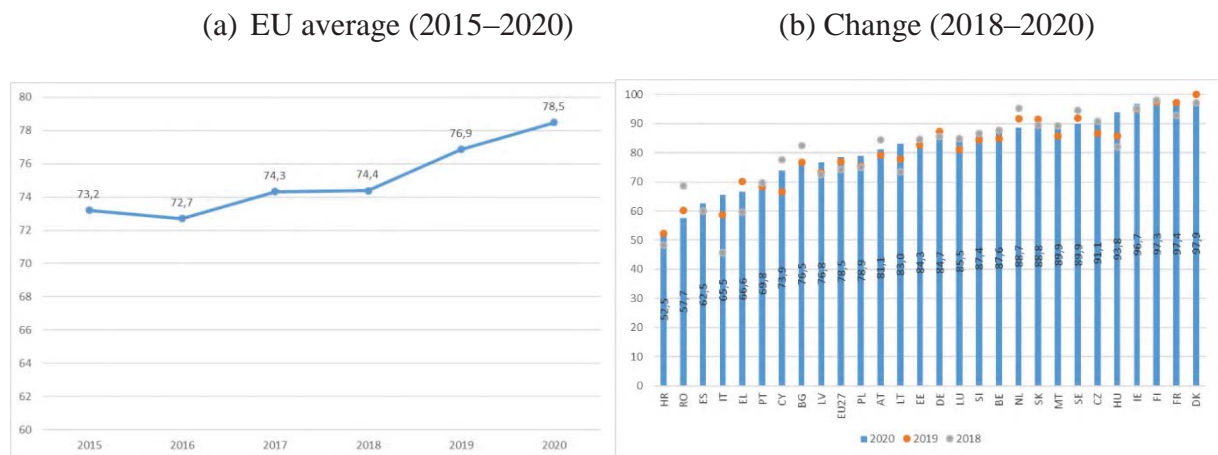
### ***Benefit recipient rate***

This indicator measures the share of working-age individuals receiving any benefits (other than old age benefits) among people (a) at-risk-of poverty (b) living in households with very low work intensity and (c) population at-risk-of poverty and living in households with very low work intensity. It is the only available indicator that allows to assess the performance of Member States in terms of offering income support provision to individuals and households at risk of poverty. It provides complementary information to other performance indicators and accounts for lower coverage – due in particular to tighter eligibility rules – or lower take-up of benefits.

**Since 2015, the benefit recipient rate has increased constantly in the EU, reaching almost 80 % of the population at risk of poverty in quasi-jobless households. It ranges from below 60 % in Romania and Croatia, up to above 95 % in Ireland, Finland, France and Denmark (Chart 13).**



**Chart 13. Benefit recipient rate among the population aged 18-64 at risk of poverty in quasi-jobless households**



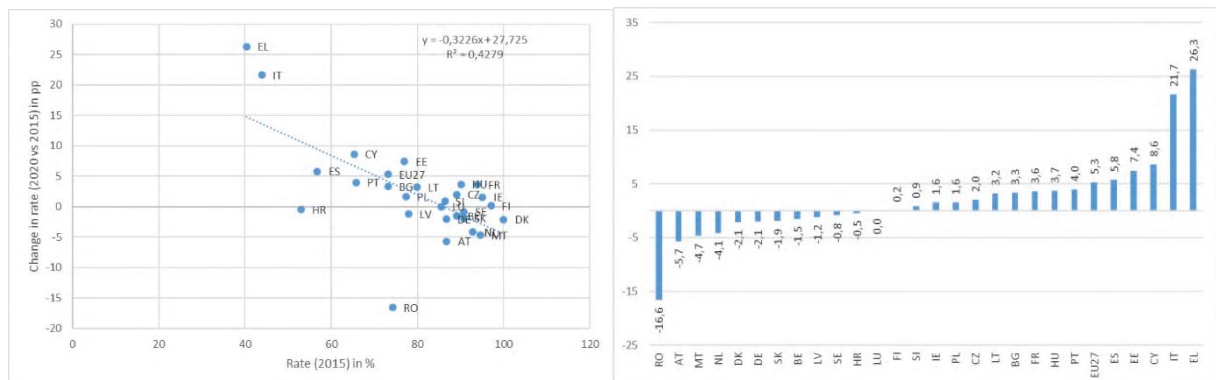
NB: There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

Source: DG EMPL computation based on Eurostat EU-SILC.

**Some convergence in benefit recipient rates took place over the second half of the last decade.** Improvements were particularly strong in Member States which had below- average rates (15 p.p. or more in IT and EL and between 5 and 10 p.p. in ES and CY), reflecting an overall convergence process in benefit receipts in the EU during the second half of the last decade (Chart 14). Due to the recent introduction of national-level minimum income schemes in Greece, Italy and Cyprus, the rate has improved most substantially in those countries <sup>(18)</sup>.

<sup>(18)</sup> It has also improved in Spain, though the indicator does not yet fully reflect the impact of the recent reform.

**Chart 14. Convergence in the benefit recipient rate among the population aged 18–64 at risk of poverty in quasi-jobless households (2015–2020)**



NB: 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.

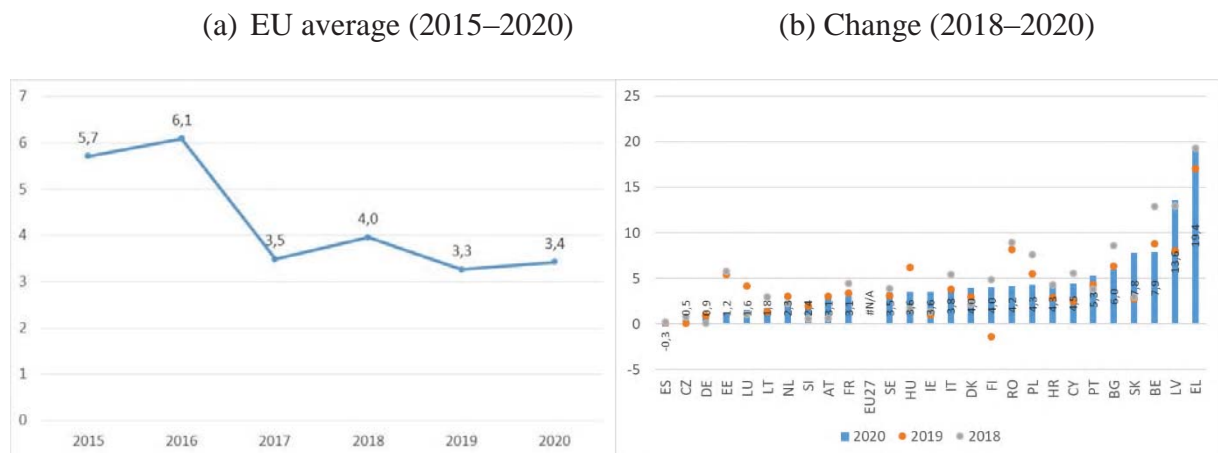
**Additional performance indicators** in the area of access to services aim at illustrating gaps in access to healthcare and housing services for minimum income recipients. These indicators are based on EU-SILC and show the gap in access to a service between people aged 18–64 at risk of poverty from quasi-jobless households and those aged 18–64 not at risk of poverty from non-quasi-jobless households.

#### *Gap in self-reported unmet needs for medical examination.*

On average, the gap in self-reported unmet needs for medical examination<sup>(19)</sup> has significantly improved in the EU, reaching 3.4 p.p. by 2020. While in most countries the gap is below 5 p.p., there are a few Member States with higher gaps (EL, LV, BE, SK, BG and PT). In some other countries, the gap is below 1 p.p., making little difference in terms of access to medical examination between poor and jobless households and non-poor, non-jobless households (ES, CZ and DE, see Chart 15).

<sup>(19)</sup> The indicator considered here is the gap – in the share of persons with self-reported unmet needs for medical examination (reason: too expensive or too far to travel or waiting list.) – in p.p. between the population aged 18–64 at risk of poverty and living in (quasi-)jobless households and the population aged 18–64 not at risk of poverty and in non-(quasi-)jobless households.

**Chart 15. Gap in self-reported unmet needs for medical examination for the population aged 18–64**

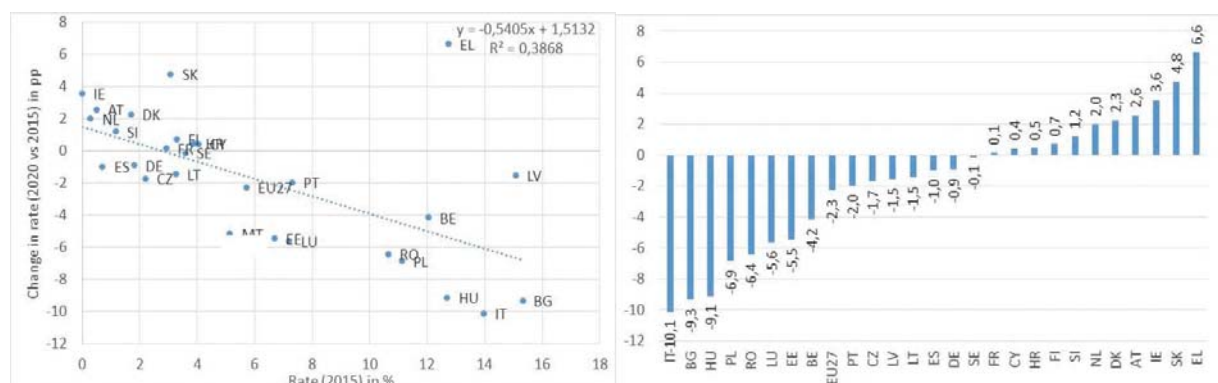


NB: Data for AT, DE, IT in 2020 was not available and is assumed to be the same as in 2019. Data for MT is not available.

Source: DG EMPL computation based on Eurostat EU-SILC.

On average, the gap has lowered in the EU between 2015 and 2020, with some significant improvement (more than 6 p.p.) in countries where the gap used to be high (such as IT, HU, BG, RO and PL). On the other hand, some countries saw less improvement or even an increase in the gap. Overall, some convergence took place in the last half of the decade among the Member States (Chart 16).

**Chart 16. Convergence in gap in self-reported unmet needs for medical examination for the population aged 18–64 (2015–2020)**



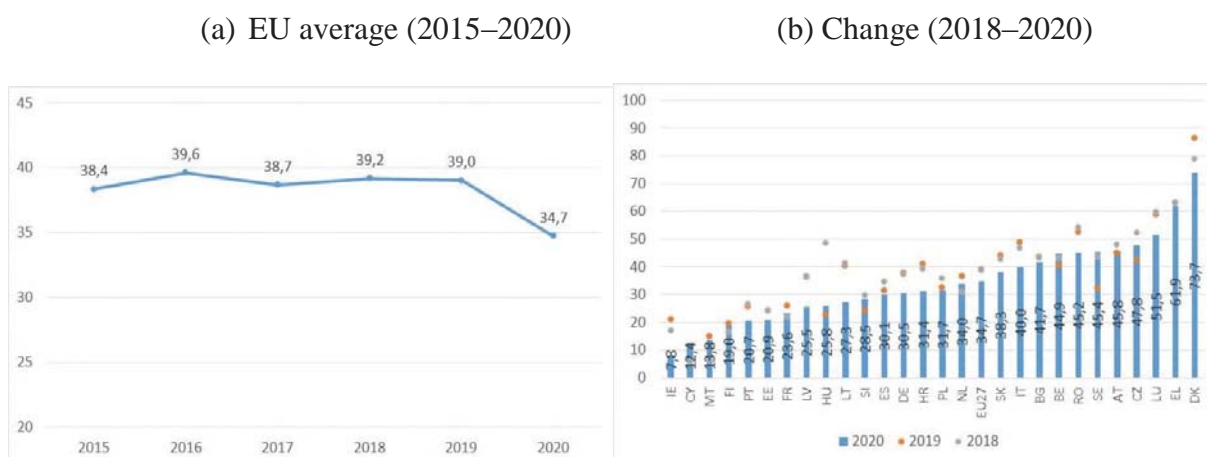
NB: Data for AT, DE, IT in 2020 was not available and is assumed to be the same as in 2019. Data for MT is not available.

Source: DG EMPL computation based on Eurostat EU-SILC.

## Gap in housing cost overburden rate

The gap <sup>(20)</sup> in housing cost overburden rate <sup>(21)</sup> has slightly dropped in the EU since 2015, with significant differences among countries. In some Member States the gap is below 20 p.p. (FI, MT, CY) or even below 10 p.p. (IE), while in other countries the gap is above 60 p.p. (like in EL and DK, see Chart 17). This gap might relate to various factors, such as different systems of housing support provisions and divergence of overall price developments.

**Chart 17. Gap in housing cost overburden rate for the population aged 18–64**



NB: There is a break in DE data for 2020 and in BE data for 2019 – and thus also in EU-27 data.

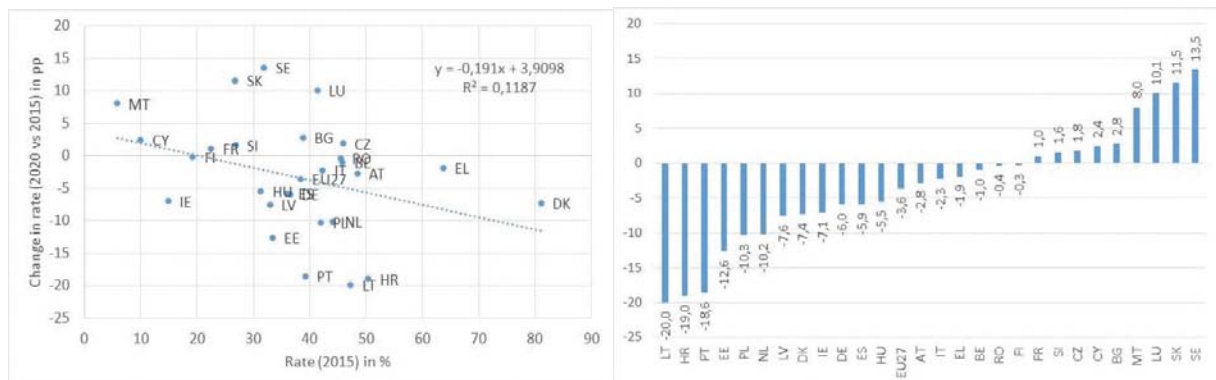
Source: DG EMPL computation based on Eurostat EU-SILC.

**Some mild convergence took place in the gap in housing costs overburden rate** between poor and jobless and non-poor and non-jobless households. Some countries with high gaps in 2015 have reduced their gaps (in particular DK), while others with lower gaps increased them (MT). Overall, parallel increases and decreases took place in the middle-range countries (gaps between 30 and 50 p.p.), so that convergence remained at an overall mild level (Chart 18).

<sup>(20)</sup> Gap in p.p. between the share of individuals (aged 18–64) at risk of poverty from (quasi-)jobless households and the share of individuals (aged 18–64) not at risk of poverty from non-(quasi-)jobless households.

<sup>(21)</sup> 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).

**Chart 18. Convergence in gap in housing cost overburden rate for the population aged 18–64 (2015–2020)**



NB: 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.

## 2.2. Cross-examination of outcome and performance indicators

Besides examining the trends and convergence across Member States for various dimensions of poverty and exclusion of the working-age population, it also appears useful to consider the extent to which some of the benchmarking framework performance indicators are correlated <sup>(22)</sup> with more general outcome indicators.

The analysis focuses on the benefit recipient rate, which reflects the extent of actual coverage of a given population by social benefits (this relates to the eligibility and take-up of benefits). In what follows, the correlations across Member States (for a given year) between the benefit recipient rate and a selection of other benchmarking indicators (such as all three outcome indicators) are discussed.

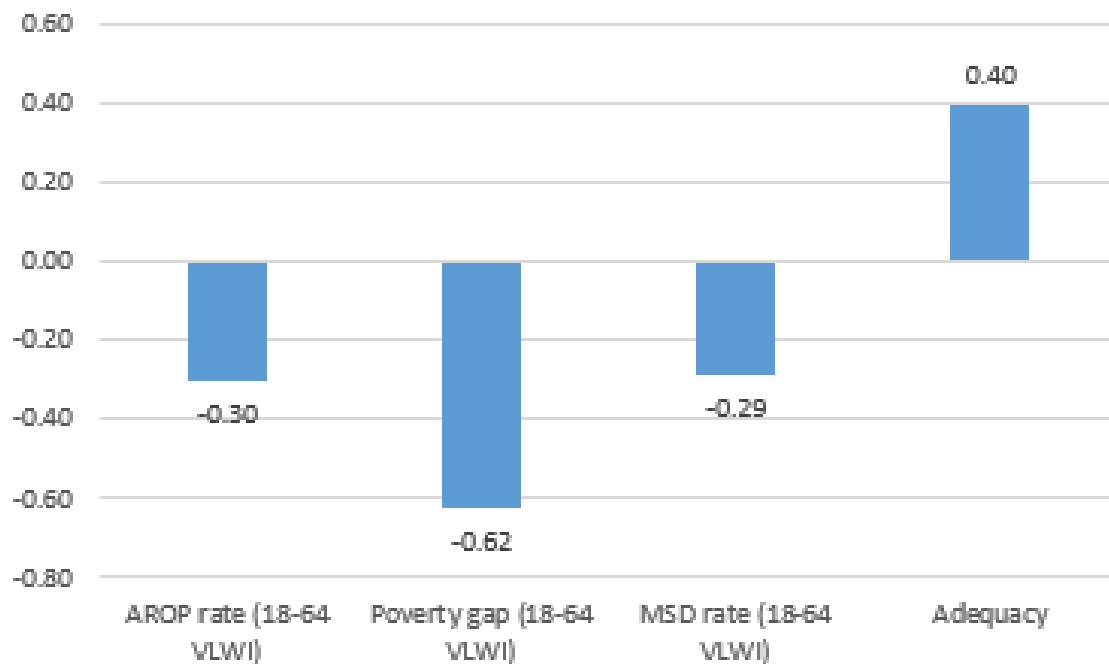
It appears (Chart 19) that the benefit recipient rate has a substantial negative correlation (– 0.62 across all MS) with the poverty gap for those living in quasi-jobless households (at least for 2020), while this correlation is more limited (although also negative) with the other two outcome indicators. This suggests <sup>(23)</sup> that Member States with a higher benefit recipient rate tend to have a lower poverty gap for people aged 18–64 AROP and living in quasi-jobless households. On the other hand, there is a positive correlation

<sup>22</sup> Which imply however that one would necessarily drive the other.

<sup>(23)</sup> While it could be useful to consider such a correlation in other years and while the poverty gap is also driven by other factors.

with adequacy, highlighting that higher adequacy also allows a larger share of the population to be covered.

**Chart 19. Correlations across Member States between the benefit recipient rate (population aged 18–64 AROP and living in quasi-jobless households), each of the outcome indicators and the adequacy indicator (SILC 2020)**

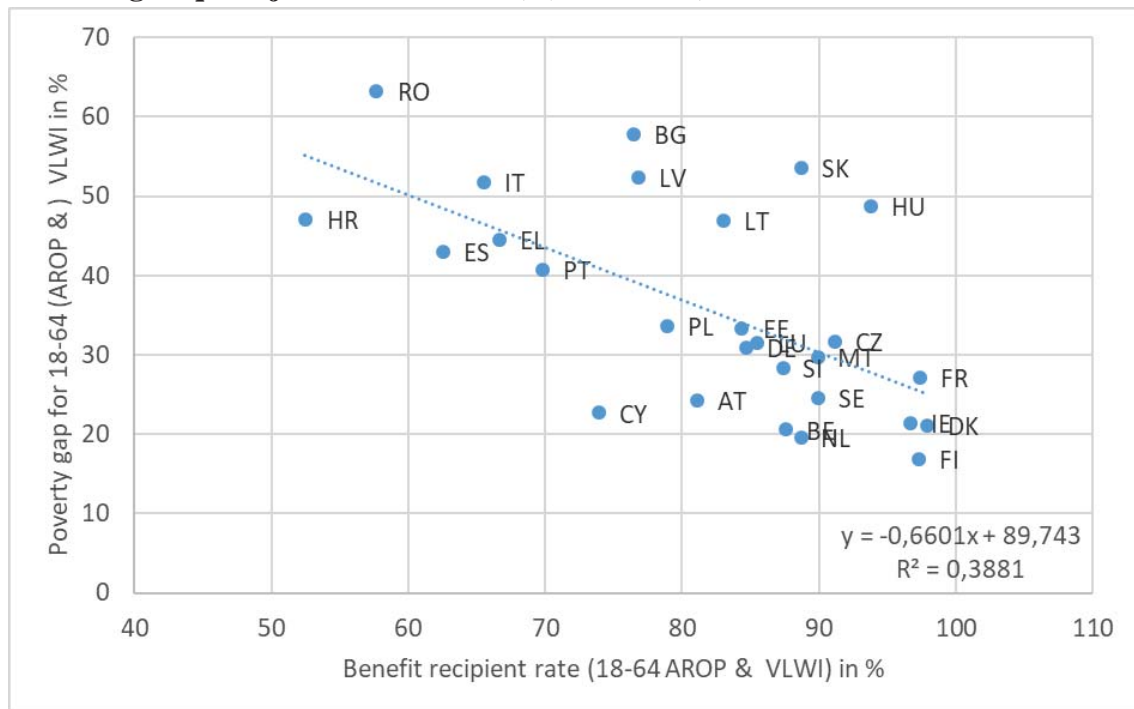


NB: Correlation is computed between the SILC 2020 levels of the benefit recipient rate across member States versus the SILC 2020 levels of the considered outcome indicator across Member States (for the adequacy indicator, the one relating to the poverty threshold is used).

Source: DG EMPL computation based on Eurostat and OECD data.

This can also be seen in Chart 20, which presents the correlation between the benefit recipient and the poverty gap for SILC 2020. Countries with higher benefit recipient rates generally also acknowledge lower poverty gaps for people aged 18–64 AROP and living in quasi-jobless households (new definition). This underlines the importance of access to benefits, including minimum income benefits, in addressing poverty. While there is obviously also a link with the adequacy of income, higher access to some social benefits translates into a lower poverty gap. This clearly relates to the impact of eligibility rules (which may be stricter in some Member States) and the level of actual take-up of benefits (this will be discussed in Chapter 4).

**Chart 20. Benefit recipient rate versus poverty gap (population aged 18–64 AROP and living in quasi-jobless households) (SILC 2020)**



Source: DG EMPL computation based on Eurostat EU-SILC.

While there is ample evidence that social protection systems play a key role in stabilising household incomes in recessions like the COVID-19 pandemic, available evidence of the potential specific role of minimum income protection in income stabilisation in times of economic downturn is scarce. Indeed, there is evidence that social benefits play a key role in stabilising household incomes in the EU in the event of economic shocks, especially unemployment shocks <sup>(24)</sup>. Most available evidence suggests that unemployment benefits and pensions or sickness benefits play a primary role in this respect, while more research would be needed to analyse the specific role of minimum income schemes <sup>(25)</sup>. The correlations highlighted above suggest that the stabilising impact of minimum income schemes would be higher in Member States

<sup>(24)</sup> See for instance Dolls, M., Fuest, C. and Peichl, A. (2010), “Automatic Stabilizers and Economic Crisis: US vs. Europe”, NBER working paper 16275 (<https://www.nber.org/papers/w16275>).

<sup>(25)</sup> See for instance Darby, J. and Melitz, J., (2008), ‘Social spending and automatic stabilizers in the OECD’, *Oxford Review of Economic Policy*, 23 (56)., pp. 715–756. (<https://strathprints.strath.ac.uk/8709>) or Furceri, D., (2010), ‘Stabilization effects of social spending: Empirical evidence from a panel of OECD countries’, *The North American Journal of Economics and Finance*, Volume 21, Issue 1, March 2010, Pages pp. 34–48 (<https://www.sciencedirect.com/science/article/pii/S1062940809000473>).



where the benefit recipient rate and adequacy are higher, since these are associated to lower poverty rates and poverty gaps.

### 3. CHAPTER 3 – ADEQUACY OF MI BENEFITS

This chapter presents the state of play of the policy lever on adequacy of benefits, using the selected indicators of the benchmarking framework, namely the income of a minimum income beneficiary (single adult) as a share of the poverty threshold and a share of the income of a low-wage earner. The analysis is also extended to various household types, to illustrate the interaction with other cash benefits, in particular child support. The calculation relies on the Organisation for Economic Co-operation and Development (OECD) tax-benefit model and helps to compare the relative level of overall benefits for minimum income beneficiaries across the Member States. However, it does not account, for instance, for the value of in-kind benefits and services provided for free (or at reduced cost). Therefore, the assessment needs to be further contextualised with relevant quantitative and qualitative information (using data from the Mutual Information System on Social Protection (MISSOC) and country-specific information gathered from OECD and other sources, including the ongoing study and MINET). Context information also provides an overview of national practices for the setting and indexation of benefits in Chapter 4 and of the complementarity with other benefits.

#### 3.1. Trends and convergence in the adequacy of minimum income benefits

**While minimum income schemes are in place in all Member States, their adequacy varies considerably.** Minimum income schemes should combine an adequate level of income support with access to enabling goods and services and incentives to (re)integrate into the labour market for those who can work, as also underlined in the European Pillar of Social Rights<sup>(26)</sup>. It should be emphasised that adequate income support is one of the three pillars of active inclusion (together with inclusive labour markets and access to quality services, which are dealt with in the following sections).

The adequacy of minimum income benefits can be measured by comparing the income of beneficiaries with the national poverty threshold (as an indication of the income poverty alleviation effect of schemes) and with the income of a low-wage earner (also providing an indication of the activation dimension and potential (dis)incentive effects

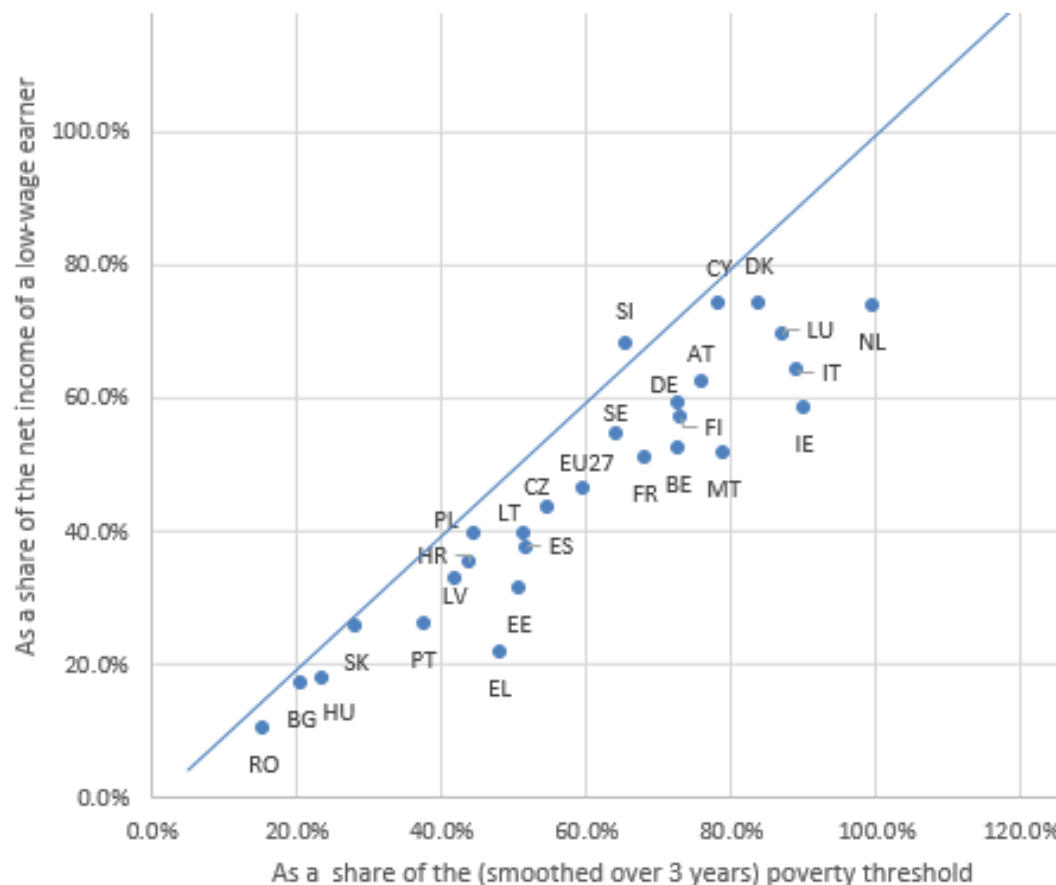
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<sup>(26)</sup> The 2018, 2019, 2020, 2021 and draft 2022 Joint Employment Report provide a detailed comparative analysis of the main features of minimum income schemes across the EU, based on the results of the related benchmarking exercise conducted within the Social Protection Committee (SPC).



of the schemes. Both indicators provide similar results on the adequacy of minimum income in Member States in income year 2019 (Chart 21(a)). Adequacy was 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 income poverty threshold level (set at 60 % of the national median equivalised disposable income). At the lower end, the minimum income in Romania, Bulgaria and Hungary was around or below 20 % of the income of a low-wage earner and 20 % of the poverty threshold in 2019.

**Chart 21(a). Net income of minimum income recipients (single adults) as % of AROP threshold (smoothed over 3 years) and of the income of a low-wage earner (income year 2019)**



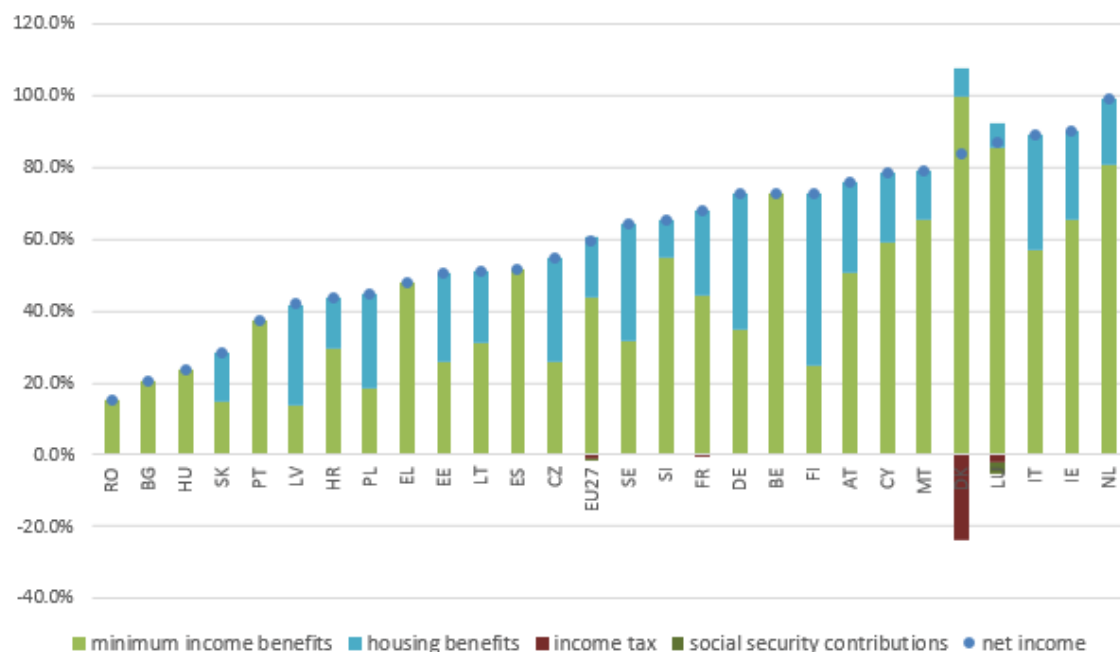
NB: EU-27 computed as a simple average. Data for IT is for income year 2020 (instead of 2019). For DE, there is a break in the SILC 2018–2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for income year 2019. Housing costs are assumed to be 11 % of average wage.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

**By construction, the income of minimum income beneficiaries is on average mostly**

composed of minimum income benefits, but also depends on other Member State benefits, in particular housing benefits. When looking at the decomposition of the net income by components, it appears (Chart 21(b)) that at the EU level (non-weighted average) the core minimum income benefits represent 43 % of the poverty threshold (or 73 % of total income), housing benefits represent 17 % of the poverty threshold (29 % of the total income) and income tax represents 1 % of the poverty threshold (2 % of total income). In some Member States, the main income component is actually the housing benefit (LV, PL, FI) and there are a few Member States where housing support is not provided through benefits in monetary terms (BE, BG, EL, ES, HU, PT and RO) <sup>(27)</sup>. Income taxes are significant only in Denmark and Luxembourg.

**Chart 21(b). Net income of minimum income recipients as % of AROP threshold (smoothed over 3 years) – decomposition by income component (income year 2019)**



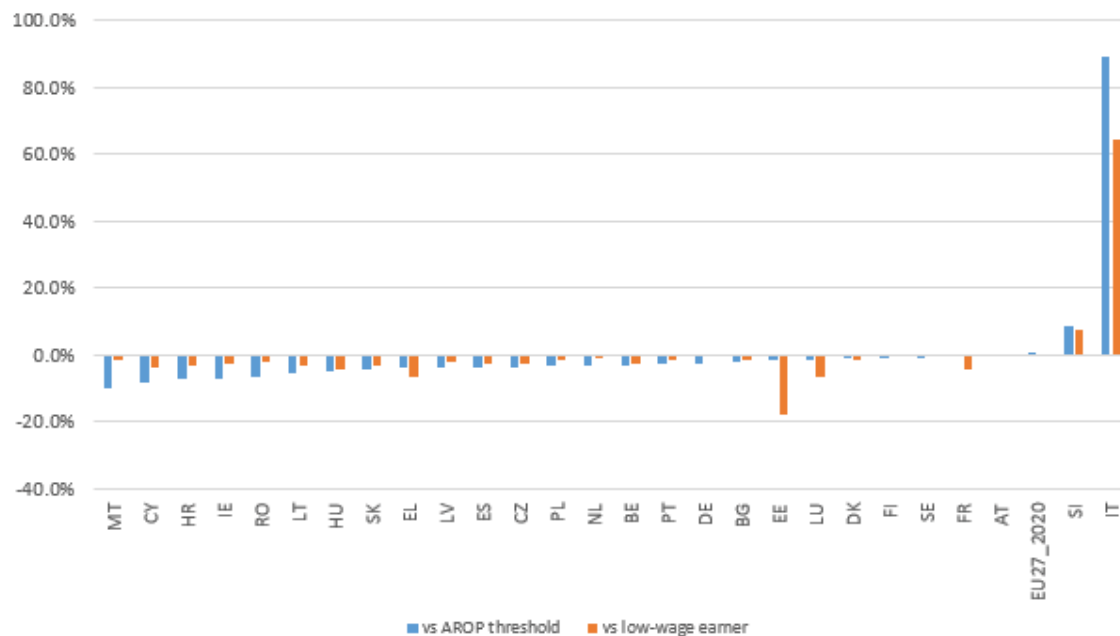
NB: EU-27 computed as a simple average. Data for IT is for income year 2020 (instead of 2019). For DE, there is a break in the SILC 2018–2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for the income year 2019. Housing costs are assumed to be 11 % of average wage.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

<sup>(27)</sup> In some Member States, housing support can be made available through other ways, such as fully in kind through social housing or through reduced social housing rents.

**The adequacy of minimum income schemes has been eroding in almost all Member States over recent years.** For the latest available income years (2017–2019), the adequacy of minimum income schemes slightly increased overall in the EU versus the AROP threshold and slightly eroded overall in the EU versus income of a low-wage earner. This reflected an erosion in most Member States and an increase in only two Member States (with a very significant increase in IT), highlighting that the income of minimum income beneficiaries was generally lagging behind the overall income developments that took place in the recovery before the COVID-19 crisis (Chart 22).

**Chart 22. Yearly change in net income of minimum income recipients (single adult) as % of AROP threshold (smoothed over 3 years) and of the income of a low-wage earner (income year 2019)**



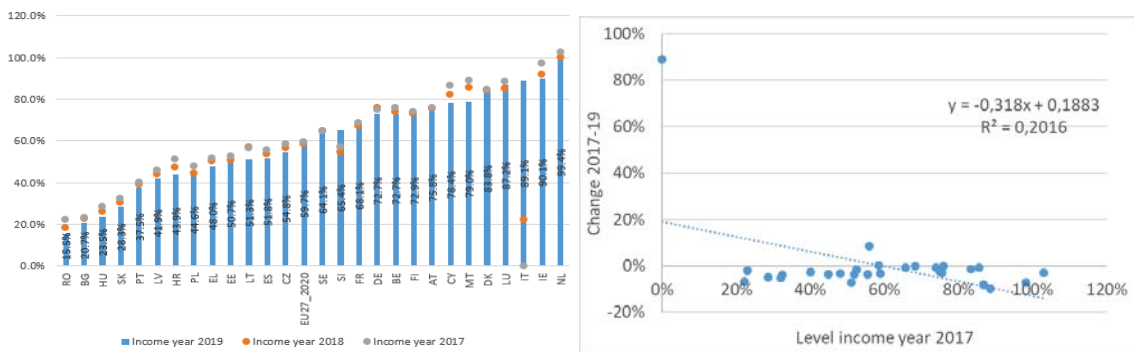
NB: EU-27 computed as a simple average. Data for IT is for income year 2020 (instead of 2019). For DE, there is a break in the SILC 2018-2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for income year 2019. Housing costs are assumed to be of 11 % of average wage.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

This erosion was more substantial in some countries, when compared to the income of a low-wage earner (— 18 p.p. in EE, see Chart 24) or to the poverty threshold (, IE, HR, CY, MT and RO at least around – 7 p.p., see Chart 23) . On the other hand, adequacy increased significantly in Italy following the 2019 reform and to a lesser extent in Slovenia (e.g. 7 p.p. versus poverty threshold) <sup>(28)</sup>.

Overall, some **slight convergence in the adequacy of minimum income benefits took place over recent years**, reflecting improvements in Member States where adequacy was low, such as the significant reform endorsed in Italy and to a lesser extent developments in Slovenia.

**Chart 23 – Adequacy versus AROP threshold <sup>(29)</sup> (single household, in %)**



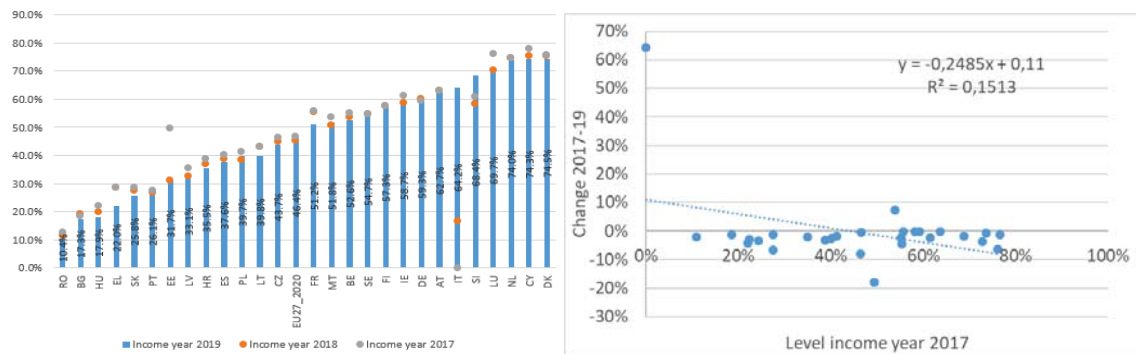
NB: EU-27 computed as a simple average. Data for IT is for income year 2019 (instead of 2018) and for income year 2020 (instead of 2019). For DE, there is a break in the SILC 2018–2020 AROP thresholds used to compute the AROP threshold smoothed over 3 years for income year 2019. Values mentioned in the chart are for income year 2019. Housing costs are assumed to be 11 % of average wage.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

<sup>28</sup> Spain's recent reform of the national system is presented in the report, but the impact of the reform could not be calculated at this stage.

<sup>(29)</sup> The poverty thresholds are smoothed over 3 years. For instance, for the adequacy indicator for income year 2019, the smoothed poverty threshold used in the indicator is based on the poverty threshold SILC years 2018, 2019 and 2020.

**Chart 24 - Adequacy versus disposable income of a low-wage earner (in %)**



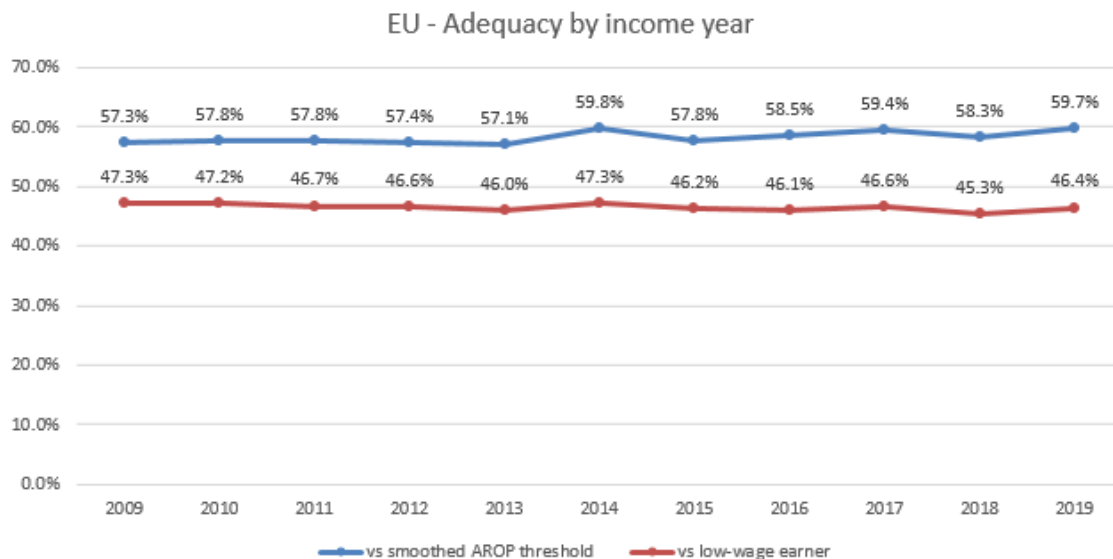
NB: EU-27 computed as a simple average. Data for IT is for income year 2019 (instead of 2018) and for income year 2020 (instead of 2019). Housing costs are assumed to be 11 % of average wage.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

## Trends in the adequacy of benefits over the last decade

**The adequacy of minimum income benefits has remained almost unchanged in the last decade** – with some slight improvements in the second part of the decade –at around 60% in the EU on average in comparison to the poverty threshold and around 46% in comparison to the income of the low-wage earner (Chart 25). Both comparisons show that no overall significant improvement took place on average over the decade, while significant developments did occur at the national level (Charts 26 and 28).

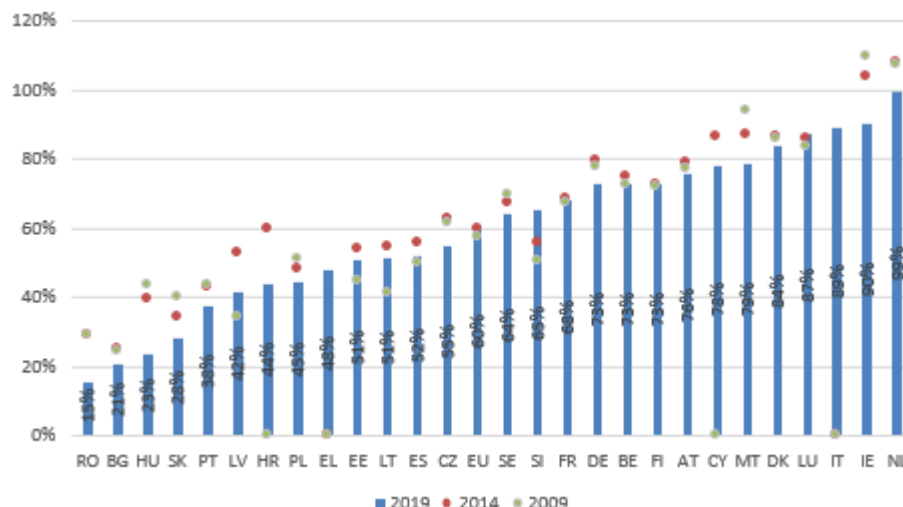
**Chart 25. Trends in adequacy over the last decade (EU simple average)**



NB: EU computed as a simple average. Data for IT is for income year 2019 (instead of 2018) and for income year 2020 (instead of 2019). Based on Member State AROP thresholds smoothed over 3 years (AROP threshold for income year 2009 smoothed over 2 years). Values for CY are not available and hence not counted in the EU average for income years 2009, 2010, 2012, 2013, 2015 and 2016. Values for HR are not available and hence not counted in the EU average for income years 2009 to 2012. Housing costs are assumed to be 11 % of average wage.

*Source:* DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

**Chart 26. Adequacy versus poverty threshold (by income year)**



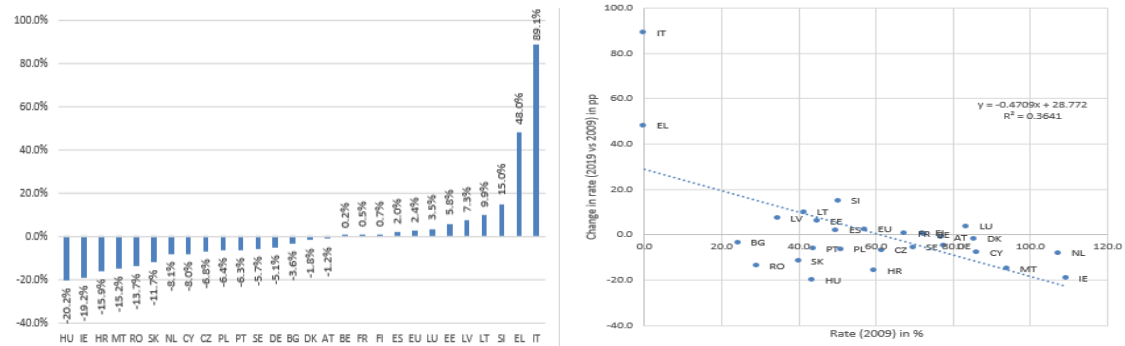
NB: EU computed as a simple average. Data for IT is for income year 2020 (instead of 2019). Based on Member State AROP thresholds smoothed over 3 years (AROP threshold for income year 2009 smoothed over 2 years). Values for CY and HR are not available and hence not counted in the EU average for income year 2009. Housing costs are assumed to be 11 % of average wage.

Source: DG EMPL computation on Eurostat data and OECD tax-benefit model.

**There has been significant convergence in the adequacy of minimum income benefits over the last decade.** As mentioned above, substantial improvements are observed in countries where new schemes have been introduced (IT and EL) and some improvements have also been seen in Slovenia and Lithuania (close to or above 10 p.p.) These changes show similar patterns in both comparisons (versus the poverty threshold or the income of the low-wage earner)<sup>(30)</sup>. On the other hand, some significant deterioration (more than 10 p.p.) took place since 2009 in Hungary, Croatia, Romania and Slovakia, where rates were below average, but also in Ireland and Malta and, to a lesser extent, the Netherlands, even if adequacy remains significantly higher than in the EU on average (Charts 27 and 29).

<sup>(30)</sup> For Lithuania however, the increase was more limited versus a low-wage earner (+ 1 p.p.) than versus the AROP threshold (+ 10 p.p.).

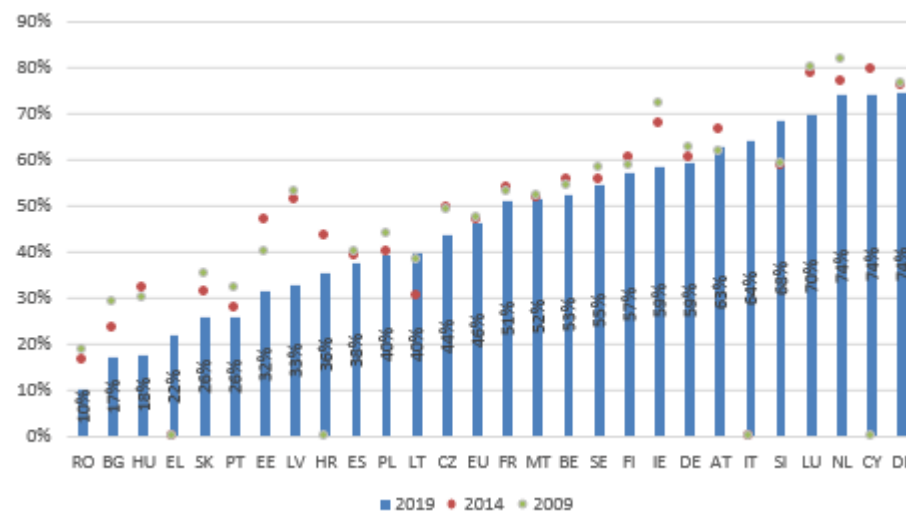
**Chart 27. Convergence in the adequacy versus poverty threshold – overall change over the last decade**



NB: EU computed as a simple average. Data for IT is for income year 2020 (instead of 2019). Based on Member State AROP thresholds smoothed over 3 years (AROP threshold for income year 2009 smoothed over 2 years). Values for CY and HR are not available and hence not counted in the EU average for income year 2009. Differences for CY and HR are for income years 2019 versus 2014. Housing costs are assumed to be 11 % of average wage.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

**Chart 28. Adequacy versus net income of a low-wage earner (by income year)**

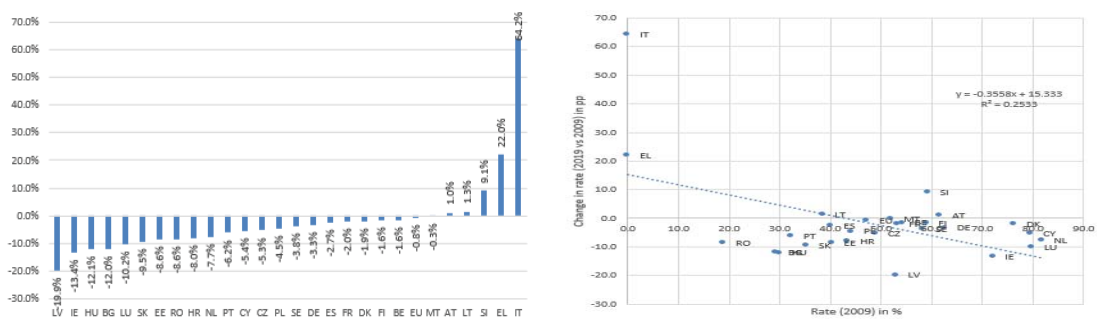


NB: EU computed as a simple average. Data for IT is for income year 2020 (instead of 2019). Based on Member State AROP thresholds smoothed over 3 years (AROP threshold for income year 2009 smoothed over 2 years). Values for CY and HR are not available and hence not counted in the EU average for income year 2009. Housing costs are assumed to be 11 % instead of 11.3 % of average wage because of data availability.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.



**Chart 29. Convergence in adequacy versus net income of a low-wage earner – overall change over the last decade**



NB: EU computed as a simple average. Data for IT is for income year 2020 (instead of 2019). Based on Member State AROP thresholds smoothed over 3 years (AROP threshold for income year 2009 smoothed over 2 years). Values for CY and HR are not available and hence not counted in the EU average for income year 2009. Differences for CY and HR are for income years 2019 versus 2014. Housing costs are assumed to be 11 % of average wage.

*Source:* DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

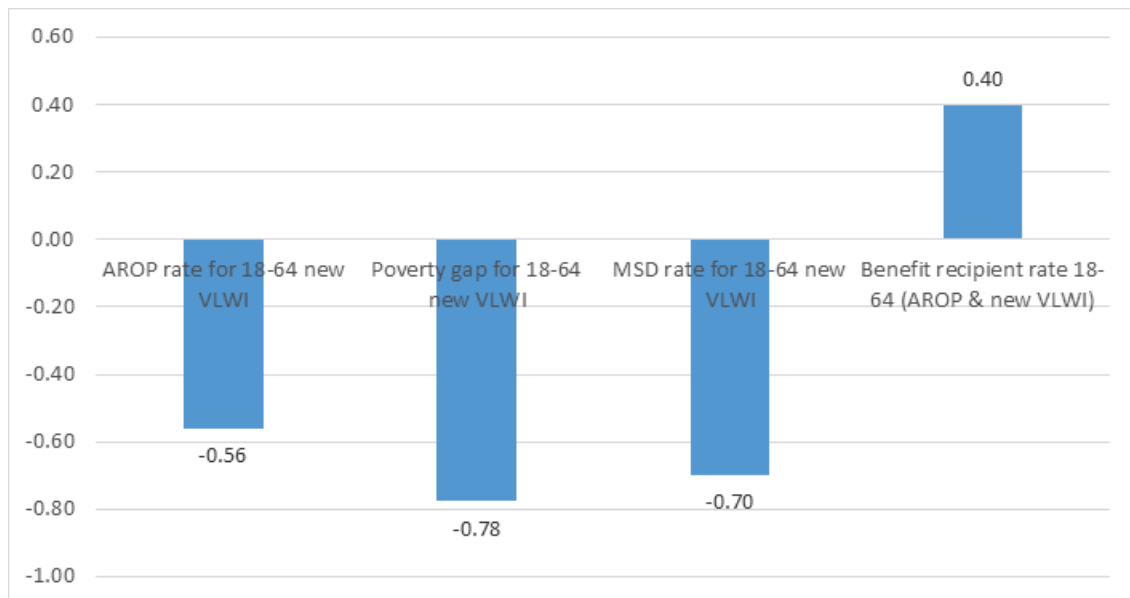
Further elements on adequacy for other types of households (single-parent households) and couples (with two children) are discussed below; they make it possible to highlight the interplay with other benefits, such as child benefits.

### Correlation of adequacy with the outcome and performance indicators

The analysis of the correlation between the adequacy of minimum income benefits with the main outcome indicators highlights the links between adequacy and some main outcome dimensions of minimum income schemes. The adequacy of minimum income benefits is negatively correlated with the at risk of poverty rate of quasi-jobless households and material and social deprivation, and even more strongly with the poverty gap of quasi-jobless households (Chart 30 and Annex 1). This underlines the link between the setting of adequacy of benefits and the prevention and alleviation of poverty and exclusion among quasi-jobless households <sup>(31)</sup>. Furthermore, there is a positive link between the adequacy of benefits and the benefit recipient rate that relates to the impact of a higher level of benefit (or means test) on providing access to a larger share of the population at risk of poverty and in quasi-jobless households.

<sup>(31)</sup> This high correlation may also relate to the indirect effect of a higher adequacy of minimum income benefits being related to a higher adequacy and coverage of social protection systems in a more general manner (such as unemployment benefits).

**Chart 30. Correlations across Member States between the adequacy indicator, each of the outcome indicators and the benefit recipient rate (SILC 2020) <sup>(32)</sup>**



NB: Adequacy indicator (versus AROP threshold) is considered for the income year corresponding to SILC 2020.

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

### 3.2. Adequacy of minimum income benefits for other types of households

In what follows, the adequacy of minimum income benefits is considered for two other types of households (those that were considered in the Minimum income benchmarking framework as relevant to provide complementary information): a single-parent household of one adult and one child (2 years old) and a couple with two children (2 years old and 4 years old). Adequacy for these households is considered in a similar manner as for single-person households: the net income of these households is compared to the at-risk-of poverty threshold (smoothed over 3 years and where this threshold takes into account household's size and composition) and to the net income of a household (of similar size and composition) earning a low-wage.

**For single-parent households with one child, the adequacy of minimum income benefits is higher than for single adults.** At the EU level (non-weighted average), the

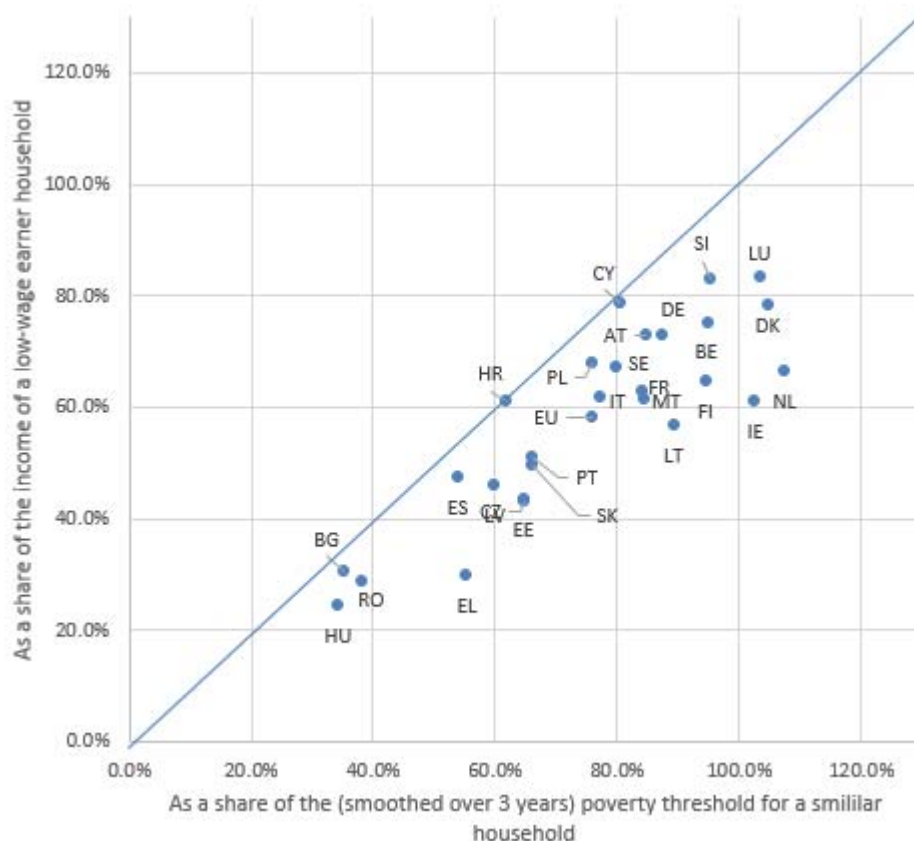
<sup>(32)</sup> Due to data availability, the old definition of 'persons living in households with very low intensity' is used here, both for the benefit recipient rate and the outcome indicators.

income of a single household benefiting from minimum income lies at 76 % of the AROP threshold and of 58% of the total disposable income of a low-wage earner similar household (income year 2019, see Chart 31). Adequacy at the EU level was thus higher than for single-person households, where it was respectively of 60 % and 46 % <sup>(33)</sup> for income year 2019. This difference is partly explained by the fact that other benefits, such as family benefits (which are not available to a single-person household) are available for households with children, while housing benefits are also higher (also reflecting higher housing costs than for a single-person household). As observed for the adequacy indicators for single-person households, adequacy also largely differs across Member States. Adequacy versus the poverty threshold was highest in the Netherlands, Denmark, Luxemburg and Ireland, where it was above 100 % of the poverty threshold. Compared to the income of a low-wage earner household, it was highest in Luxemburg and Slovenia (above 80 %). At the lower end, adequacy was lowest in Romania, Bulgaria and Hungary versus the poverty threshold (below 40 %) and lowest in the same Member States and Greece versus income of a low-wage earner household (around or below 35 %).

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<sup>(33)</sup> Different agreed assumptions for housing costs are used for these different types of households.

**Chart 31. Net income of a single parent (one adult minimum income recipient and one child) as % of at-risk-of-poverty threshold (smoothed over 3 years) for a similar household and as a % of the income of a household of one adult (low-wage earner) and one child (income year 2019)**



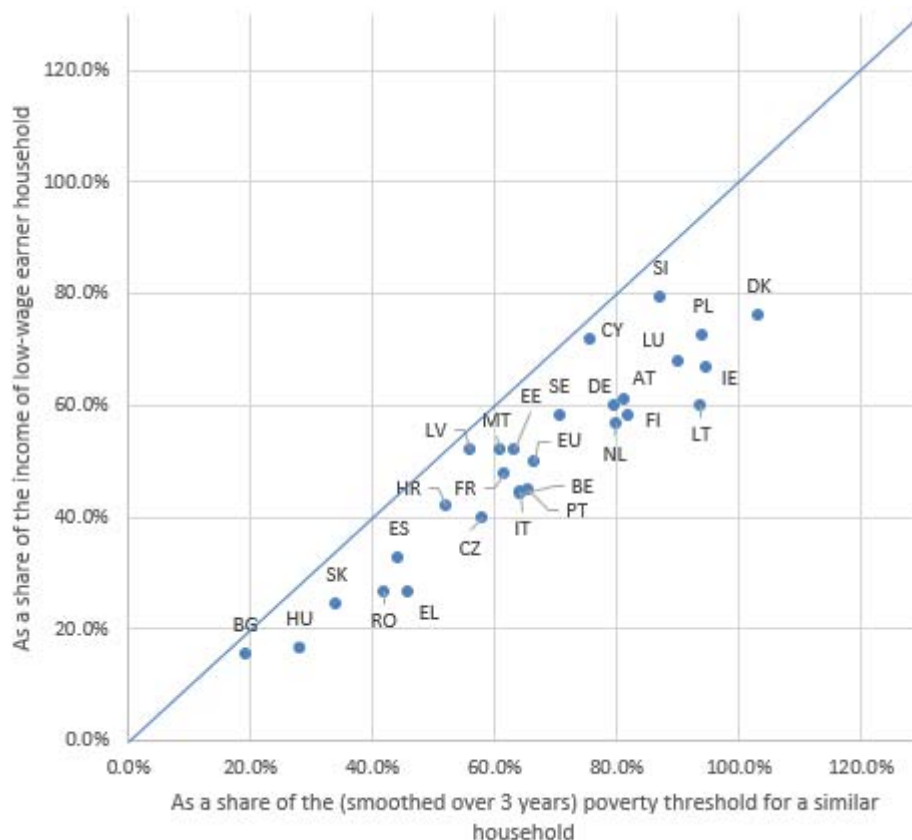
NB: EU computed as a simple average. Housing costs assumed to be 18 % of average wage. AROP threshold equivalised for this household type ( $\times 1.3$ ). The child is assumed to be 2 years old. Data for IT is for income year 2020 (instead of 2019).

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

**For couples with two children, the adequacy of minimum income benefits is also generally slightly higher than for singles.** At the EU level (non-weighted average), the income of couples with two children who are minimum income beneficiaries lies at 66 % of the poverty threshold and of 50 % of the total disposable income of a low-wage earner similar household (with two low-wage earners) (income year 2019, see chart 32). Here also, the adequacy at EU level was slightly higher than for single person households (respectively 60% and 46 %). This difference is also partly explained by the fact that other benefits are available, such as family benefits (which are not available to a single-person household) while housing benefits can also be higher (also reflecting that housing costs are general higher than for a single-person households). Adequacy also differs largely across Member States. Adequacy versus the poverty threshold was

highest in Denmark (where it was above 100 % of poverty threshold) and Ireland, Lithuania and Poland (around 95 % of poverty threshold). It was highest versus the income of a low-wage earner household in Denmark and Slovenia, where it was around or below 80 %. At the lower end, the adequacy was lowest in Bulgaria, Hungary and Slovakia versus the poverty threshold (below 35 %) and lowest in the same Member States, Greece and Romania versus income of a low-wage earner household (around or below 25 %).

**Chart 32. Net income of a household of two adults (minimum income recipients) and two children as % of at-risk-of-poverty threshold (smoothed over 3 years) for a similar household and as a % of the income of a household of two adults (low-wage earners) and two children (income year 2019)**



NB: EU computed as a simple average. Housing costs assumed to be 19 % (not 18.6 %, because of data availability) of average wage. AROP threshold equivalised for this household type ( $\times 2.1$ ). Children are assumed to be 2 years old and 4 years old. Data for IT is for income year 2020 (instead of 2019).

Source: DG EMPL computation based on Eurostat data and the OECD tax-benefit model.

### **3.3. Design of income support schemes and complementary benefits and services**

Depending on the design of the social welfare systems of the Member States, a number of additional benefits are generally associated with the receipt of MI cash support. Some of them represent further monetary support but many are provided in kind. These may include social housing, subsidised energy and heating supplements (such as firewood allowance), depending on the delivery method, free or subsidised medical care and prescriptions, dental treatment, public transport (e.g. travel to school), food cheques or vouchers and free school meals. Such benefits tend to be difficult to quantify, since they depend on the individual costs involved and take-up, both of which may vary between recipients. In addition, they are sometimes granted on a discretionary basis. There is accordingly limited data available on this and, in most countries, few attempts to estimate its value. There is a clear need to contextualise this with relevant information on the availability of complementary in-kind benefits when assessing the effectiveness of individual national systems in keeping people out of poverty.

As underlined in the benchmarking framework, the availability and affordability of general mainstream services and provision of various in-kind benefits are key for beneficiaries of minimum income schemes. Access to these benefits and services should be ensured within the comprehensive design of MI schemes, in order to avoid piecemeal and ad hoc provision of such in-kind benefits. Unfortunately, as pointed out by the benchmarking framework, the different dimensions of access to services are not well covered by available policy lever indicators. Similarly, the information provided by the Member States in MISSOC or to the OECD country fiches does not offer sufficient details on the design of services that minimum income beneficiaries can access, aside from those linked to activation.

This section elaborates further on the complementarity with complementary benefits, also based on the information gathered in the country fiches and the literature review. In several countries, MI benefits can be linked to subsidies/grants or reductions in the costs of access to other services and benefits. According to the latest comprehensive study in 2015, recipients benefit from education/vocational training (e.g. CY, IS, PT), free school meals (e.g. HU, PT, UK, HU, SI), childcare (e.g. CY, DE, LT, PT, SI), in-kind benefits for education and participation (e.g. DE), healthcare/health insurance (e.g. BE, BG, CY, DE, HU, PT, RO, SI), social counselling and psychological services (e.g. EL), social services (e.g. DE, EL, PT), social assistance services (e.g. SI, PT), funeral

expenses (e.g. RO, SI), energy tariffs (e.g. PT), compensation for renovation (e.g. LT), state legal assistance (e.g. LT) and support for higher school students (e.g. LT) <sup>(34)</sup>.

Based on a recent collection of information, MI beneficiaries can typically access other benefits across the 27 Member States that relate to a wide range of services, including housing, utilities, healthcare, child benefits, social welfare, holidays, education, disability, special events, employment, administrative help and entrepreneurship support. The nature of these additional benefits varies considerably across Member States: some benefits are more universal, others may also be means tested and some are provided in kind. These benefits are complementary, as they are not always directly or formally linked with the national MI scheme. In some cases, eligibility is assessed via a separate administrative process and based on eligibility criteria specific for each benefit, so that they may be different from those for the MI scheme. However, MI beneficiaries are likely to have access to them.

In some Member States, housing benefit schemes (provided in cash or in kind) are targeted at people with low income, regardless of whether they are also MI beneficiaries (and have a specific threshold to access the scheme, capped to a maximum amount). In some Member States, specific housing allowances are available for MI scheme beneficiaries/households. In a few countries, housing schemes are set up at the local level following criteria of eligibility that are more discretionary. Housing supports are generally awarded on a monthly basis.

Another important type of complementary benefit is linked to children. As discussed earlier, family and child benefits are available for households with children with an important role for completing income support to the size and composition of the households. Such schemes are often available universally to the whole population (in EE, IT, HU, LV, LT, LU, NL, PL, SE) or targeted to households with low income. In some Member States with universal benefits (Italy, Lithuania, Netherlands and Slovenia), the amount of the benefit is dependent on the income of the household, with lower-income households receiving higher benefits. Additional in-kind supports are provided for families with children to improve their integration in education (school meals, educational material, etc.) or for social activities (sports, cultural activities). Child support schemes, although usually distributed monthly, can also be awarded daily

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<sup>(34)</sup> Frazer, H. and Marlier, E. (2015), *Minimum Income Schemes in Europe – A study of national policies*, European Social Policy Network (ESPN), Luxembourg; Publications Office of the European Union, Luxembourg, ([https://www.researchgate.net/publication/299652131\\_Minimum\\_income\\_schemes\\_in\\_Europe\\_A\\_study\\_of\\_national\\_policies](https://www.researchgate.net/publication/299652131_Minimum_income_schemes_in_Europe_A_study_of_national_policies)).



or annually, particularly in the case of in-kind or special occasional provisions, such as school lunches or allowances for school materials.

Access to healthcare is a major area for tackling poverty and social exclusion. In the majority of countries, minimum healthcare services are granted free of charge to MI beneficiaries (i.e. basic healthcare insurance is covered by the MI scheme, often by payment for healthcare insurance or access to the general healthcare system). However, in many cases only medical consultations with general practitioners are covered by these schemes, along with medical supplies to a limited extent. Very few Member States seem to have additional benefits that can provide support for chronic disease costs (medical costs), medical costs not covered by the health insurance or specific one-off costs (hospital treatment or pharmaceutical products). For instance, in five countries (BG, CZ, DK, LV, FI) healthcare benefits exist in addition to free of charge access to the general healthcare system, aimed to cover one-off specific costs. A special scheme for dental care, ophthalmology and hearing aids is provided in Malta and specific additional costs for medical treatments are covered in Greece and Hungary.

With increasing energy costs, support for utility costs has gained importance. In some countries, schemes are provided to support utility costs. Advances for utility payment are typically provided monthly, except for weekly frequency such as in Ireland, or in Austria and Poland, where they can occasionally cover additional expenses such as repairs or buying new household appliances. These benefits are mostly provided to individuals and households with a low income, but may also be granted exclusively to the recipients of a particular MI scheme or on the basis of some additional criteria. Such support schemes are most frequently administered at the local/municipal level and may vary in the type of utilities they cover. Therefore, the benefit level and design often remain within the discretion of the public administration. Access to these benefits is not inherent to the MI scheme and, as information may not always be easily accessible, MI beneficiaries may not be aware of their existence.

It is difficult to assess to what extent these various benefits complement the adequacy of MI scheme benefits. However, it emerges that some housing and child benefits are designed to directly complement MI scheme benefits and can thus be presented as being part of minimum income support. However, due to the wide variety of various additional benefits provided in kind and/or to cover more specific needs, or in a more discretionary manner, these other schemes can be considered as elements of the broad welfare structures that are complementary to minimum income schemes. Due to different eligibility criteria for these complementary support benefits, more country-specific exploratory and analytical work would be needed to differentiate the category of beneficiaries that typically benefits from the linked benefits from that which does not. Therefore, such complementary schemes are not an integral part of minimum income schemes covered by this report and their contribution to adequacy is not systematically assessed.



## 4. CHAPTER 4 – ELIGIBILITY CRITERIA AND COVERAGE

This chapter synthesises information on features that determine eligibility to MI schemes in the Member States, which helps to analyse to what extent those in need are effectively covered and which groups may be excluded due to eligibility criteria.

Access to benefits depends on eligibility criteria and in many cases also on activation conditions. The main eligibility requirements include age, nationality/citizenship and/or residence, lack of financial resources, not having assets above a certain limit and having exhausted rights to other (social) benefits. In this chapter, the age and residence criteria are synthesised and a special focus is given to the means testing requirements, based on contextual information on the main components of the means test and the interaction with other benefits available for the recipients' households. The chapter also analyses the frequency of review of the eligibility of beneficiaries. In addition, activation conditions are reviewed in a sense of their influence on accessing the benefits, while the strictness of conditions and sanctions are discussed in Chapter 5 <sup>(35)</sup>. The analysis also explores challenges regarding the non-take-up of benefits. When eligibility criteria are discussed, the core MI scheme of the country is considered <sup>(36)</sup>.

### 4.1. Age requirements

**In approximately half of the Member States, some kind of age criteria apply (see Table 1). Most commonly, people are covered from the age of majority until retirement, yet there are country-specific definitions and exceptions.** In addition, the income support schemes may not provide the same benefits to certain adolescents, young adults and pensioners.

The first factor is the **existence of a minimum age threshold** <sup>(37)</sup> for young people. As parents are legally required to maintain their children up to the age of their majority, which is currently 18 years old in the Member States, minors cannot apply to MI

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<sup>(35)</sup> Such as activity-related eligibility conditions for receiving unemployment benefits, OECD, 2020 ([https://www.oecd.org/els/soc/Activity-related%20eligibility%20conditions\\_2020.pdf](https://www.oecd.org/els/soc/Activity-related%20eligibility%20conditions_2020.pdf)) and How demanding are activation requirements for jobseekers, OECD 2017 (<https://www.oecd.org/social/strictness-benefit-eligibility.htm>).

<sup>(36)</sup> Country-specific information is gathered from various sources, including the ongoing study, consulted by MINET, the MISSOC database, and relevant ESPN and OECD papers)..

<sup>(37)</sup> According to ESPN report 'Access to social protection for young people', 2022 (<https://ec.europa.eu/social/main.jsp?langId=en&catId=1135&furtherNews=yes&newsId=10217>)

schemes as individuals. They are covered if their parents apply and if the household is eligible.

**Table 1. Age requirements**

| No age requirement                                     | 18 or lower                                    | Above 18           |
|--|--|--------------------|
| BG, CZ, DE *, EE, IE *, HR, IT, LV, LT, SI, AT, FI, SE | BE, DE *, IE *, EL, HU, MT, NL, PL, PT, RO, SK | CY, DK, ES, FR, LU |

\* Germany and Ireland are included in two groups (with and without the age criterion) as they both have two elements of their MI design, with different age limits.

**In 11 countries, the main MI schemes specify a minimum age requirement of 18 years or less, while in 13 Member States no age criterion is specified.** Minors and young adults below the age threshold may still be eligible for minimum income if they fulfil certain characteristics that indicate emancipation or independence from their parents. These may for instance be based on marriage (BE, CY, PT), single parenthood (FR, CY), caring responsibilities for disabled children (BE, ES, LU), other caring responsibilities (ES, LU), pregnancy (BE, LU, PT), orphanage (ES, CY), disability or illness (CY, LU) or being a victim of certain crimes such as gender-based violence (ES). Even in countries without a minimum age requirement, access to schemes often starts with reaching the age of majority, since parents are obliged to support their children under 18 years of age.

**In a few Member States, the age limit for the main scheme is set higher than 18,** such as in Spain (23), France and Luxembourg (25), Cyprus (28) or in Denmark it is available at a different rate under age of 30. However, these countries may have additional schemes with a lower minimum age threshold, such as the ‘activity bonus’ and ‘specific solidarity allowance’ in France and educational assistance in Denmark. In France, young people below the age of 25 <sup>(38)</sup> are excluded from the main minimum income scheme, the ‘active solidarity income’ (*revenu social d’activité*). The age cut-off particularly affects young people who cannot access the main unemployment benefits (*allocation d’aide au retour à l’emploi*) if they have not yet worked for more than 4 months and thus are not eligible, while young people under the age of 26 without training or in long-term unemployment can access a financial allowance and

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<sup>(38)</sup> Young adults between the ages of 18 to 24 can be eligible if they are single parents or have been professionally active for at least 2 years.

employment support under the recently introduced ‘youth engagement contract’ (*contrat d’engagement jeune*), starting in March 2022. Occasionally, the targeted schemes might provide a lower level of benefit.

In principle, a **household-level means test can cause problems for the eligibility of** people living in a household whose composition does not correspond to standard assumptions about financial (in)dependence, resource sharing and differences in needs. This disproportionately applies to **young people**, but also other groups such as the elderly, women and people with disabilities living in multi-person households. For example, young people who are part of one household or family with their parents may fail the means test, on account of their parents’ income and assets. Inflexible household definitions are problematic for adolescents striving for financial independence or living in non-traditional family structures (e.g. with step-parents that do not contribute to their expenses or in troubled home situations). In Belgium, young people under 18 in problematic home situations but not covered by one of the exceptional reasons can still receive individual social support on a discretionary basis from the public centre for social work (*Centre public d’action sociale / Openbaar Centrum voor Maatschappelijk Welzijn*). Other typical but non-standard living arrangements of young people include flat sharing and modern/childless relationships, where equal sharing of income from earnings is less common.

**Similarly, regarding maximum age criteria, the relation between pensions and minimum income support is complex and expressed both through administrative criteria and the means test.** In eight countries<sup>(39)</sup> that have age limitations, no maximum age requirement is determined. For example, Belgium’s ‘integration income’ includes a special system for people aged 65 and over – the ‘guarantee of income for the elderly’. In other countries, the maximum age likely refers to the age of retirement, however there are differences in specifying retirement age. For example, the age cut-off is 60 in Malta (social assistance) and 67 in Ireland (Job Seekers Allowance). In Malta, upon reaching the age of 60, social assistance beneficiaries are awarded the non-contributory Age Pension, which is paid at a higher rate, fulfilling similar function to minimum income scheme. Hence, minimum income can also act as a top-up to partial pensions or is available to older people who have no pensions.

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<sup>(39)</sup> BE, FR, ES, CY, NL, PL, RO, SK.

## 4.2. Nationality/residence requirements

**Residency and/or nationality criteria are applied in all countries.** Countries vary in their requirements for citizenship, minimum length of residency and interruptions to habitual residency. Many Member States apply only permanent legal residence status, without also specifying years of residence. However, the eligibility period may go beyond this (see table T 2). Residency tests are applied mainly at the national level, while in several cases local (municipal) residency criteria may apply<sup>40</sup>.

**EU/EEA citizens** typically fulfil the residency criteria automatically or after 3 months, sometimes depending on employment history. Longer minimum requirements typically apply for **third-country nationals**, ranging from 3 months (BE, DE, LV) to 9 years in Denmark. Also, third-country nationals would have to have lived 10 years in Italy to have access to the *Guaranteed Minimum Income* (of which at least 2 years continuously in Italy). A 1-year period applies for ‘social integration income’ in Spain and Portugal, while this is 5 years in Bulgaria, France, Cyprus, Luxembourg and Austria. Therefore, in certain countries, migrants from outside the EU / European Economic Area are often not eligible for minimum income support, due to the long minimum residency requirements. Furthermore, when third-country nationals meet all conditions to be eligible, in practice they may need more time to gather the necessary documentation.

**Countries often waive certain administrative and means testing requirements for recognised refugees, stateless persons and in some cases for other groups** (e.g. asylum seekers, cross-border workers, family members of third-country residents and victims of crimes such as human trafficking, sexual exploitation or gender-based violence). Good practice examples include Cyprus, which waives the minimum residency requirement for refugees and victims of human trafficking in the *Guaranteed Minimum Income* scheme. To become recognised, refugees must be authorised to reside in Cyprus through acceptance from the asylum service and a valid residence permit. Asylum seekers are not eligible for the scheme. In Portugal (social integration income), authorities issue special residence permits for people with refugee status to prove their legal residence in the country. In Greece (*Guaranteed Minimum Income*), both refugees and asylum seekers are technically allowed to apply for the minimum income, but a distinction is made based on temporary and permanent residence permits.

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<sup>(40)</sup> Such as in the main MI scheme in Spain (guaranteed citizenship income of Catalonia, social basic income of Catalonia), the Netherlands (Participation Act) and Finland (Housing allowance), namely requiring residency at the municipal level.

While **undocumented migrants and asylum seekers** are often not entitled to the regular minimum income support due to the residence test, some countries have special rules, alternative systems or partial assistance to cover these people. For example, while Austria largely excludes people with subsidiary protection status and asylum seekers, they are still able to receive social assistance at a level equivalent to the basic benefit (except in Vienna and Tyrol). In Denmark, asylum seekers are supported by immigration services rather than the social assistance system. In Estonia, asylum seekers are not entitled to the ‘subsistence benefit’ but receive comparable monetary support by their accommodation centre. In Belgium, asylum seekers receive in-kind support and undocumented migrants are entitled to urgent medical care and education for their children.

For **homeless national citizens**, administrative barriers are typically difficult to meet and typically include providing a permanent address and opening a bank account. Some efforts have been made to tackle these challenges. For instance, as alternatives to providing a permanent address, homeless applicants can declare their residency at the municipality in Lithuania, or request proof of removal from the population register from their previous municipality in Belgium. In France, social care centres can provide a residence for the homeless to access active solidarity income. Countries may also have specific schemes or policies targeted at homeless people. For example, Finland combined its housing allowance system with social assistance and adopted a ‘Housing First’ <sup>(41)</sup> policy approach in 2007 that has contributed to a very low number of homeless people <sup>(42)</sup>.

**Table 2. Duration of residence requirements**

| <b>Legal or right to residence requirements only</b>          | <b>Longer minimum residence requirements</b>   |
|---|--|
| BG, CZ, EE, EL, IE, HR, LT, HU MT, NL, PL, RO, SI, SK, FI, SE | BE, CY, DK, DE, ES, FR, IT, CY, LV, LU, AT, PT |

<sup>(41)</sup> Gray, A. (2018). *World Economic Forum*. Here's., ‘Here’s how Finland solved its homelessness problem’, World Economic Forum, 2018 (<https://www.weforum.org/agenda/2018/02/how-finland-solved-homelessness>)

<sup>(42)</sup> From the FI country fiche: Kangas, O. and Kallioma-Puha, L (2019) Thematic report on national strategies to fight homelessness and housing exclusion – Finland, European Commission, <https://ec.europa.eu/social/BlobServlet?docId=21600&langId=en>

### **4.3. Design of the means test**

Means testing is the primary tool to differentiate those with insufficient resources to cover their needs from those with sufficient means. If income and wealth are considered, then the determination of ‘those in need’ is based on the joint distribution of both. For instance, some difficulties in accessing MI schemes can arise from interfering factors that result in income-poor but asset-rich assessments. For example, without further adjustments, strict asset criteria make MI schemes less responsive to labour market shocks and other temporary income fluctuations. People whose incomes have significantly reduced during the COVID-19 pandemic may not be considered eligible due to the possession of property. Conversely, MI schemes may be overly sensitive to possession of assets, irrespective of the applicants’/recipients’ level of control. For example, inheritance of real estate, even if worthless or shared with other inheritors, may make claimants ineligible. Claimants may be required to sell assets or take out a loan before receiving minimum income support. However, these issues may be mitigated by considering whether an asset sale is economically sound or the expected duration of hardship would justify such an action. The general principle is that if the need for assistance is temporary, the benefit is paid without sale of assets.

The definition and adjustments to household or family unit income may also be disadvantageous for people with additional needs or non-traditional household compositions. Amongst others, these disproportionately affect young people, the elderly, people with disabilities and chronic illnesses and women. Countries differ in their coverage of additional needs, such as for disability or children, including in accounting for the other related benefits (such as child or disability benefits).

The way total household or family unit income is measured also influences access to the MI scheme. Equivalence scales are used to compare the income of households with different compositions and needs. To do so, equivalence scales embed judgements on the resource use and needs of, for example, young adults with different living arrangements compared to other household types (e.g. a family whose adult children are living separately). Namely, the equalising weights reflect assumptions on the economies of scale from sharing resources within the household and the differential needs of children versus adults. In addition, scales can apply different definitions of which household members are considered children (i.e. age thresholds). These assumptions may not reflect young people’s realities on how the MI benefit will be distributed within households.

#### 4.3.1. *Setting the means test threshold*

Means testing may consider two types of thresholds regarding applicants' income (and/or assets): firstly, **a threshold for the maximum total value** of monetary resources, after which applicants are denied access to schemes (in most cases this equals the maximum amount of the benefit, while in a few cases households with any small amount of income are excluded through the means test); and secondly, **a threshold on the share of income** (or assets) **disregarded from the means testing**, and hence determines the amount of granted benefits.

**The methodology for setting the maximum benefit levels and the means test for guaranteed minimum income for various household types varies greatly across Member States.** Most countries link the benefit level to minimum wages or pensions, or in some cases to the cost of living. The latter includes the establishment of a reference budget, which is defined as a basket of goods and services considered necessary to reach an acceptable standard of living for an individual household within a given Member State. It is designed in various ways, taking into account household composition, disposable income and other aspects such as housing or transport needs. Eight Member States rely on the calculation of a basket of essential goods and services to determine the level of the benefit to be granted as part of their main MI scheme (DE, EE, CY, LT, LU, PL, SI and SE). However, in a large number of Member States, setting and uprating the level of minimum income benefit are not based on a transparent and robust methodology, such as linking minimum income benefits with some statistically underpinned reference values <sup>(43)</sup>.

**The maximum level of benefits provided by the various Minimum Income schemes in place across the EU is generally based on household income and the composition of the household, with very few exceptions.** Examples include a one-off benefit provided to people in precarious situations in Czechia, and the fixed Employment Substituting benefit payable to families (regardless of the number of dependants) in Hungary.

Relative thresholds can be expressed as fixed amounts, stepwise percentages shares relative to the base level of the benefit or combinations of these, and may differ between groups of applicants and types of income. In most countries, the base benefit increases by a given amount or percentage for each additional member of the household. The

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<sup>(43)</sup> For instance, a sample survey of income and consumption, wage or price developments, or bound to social indicators.



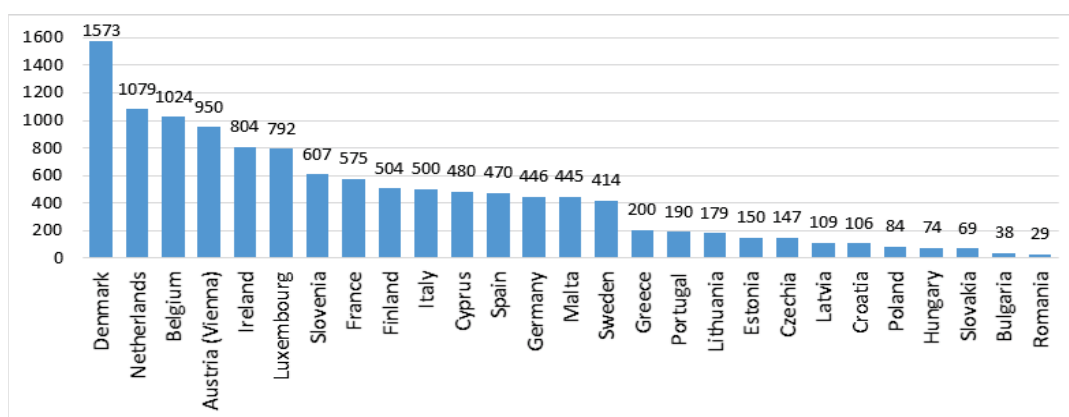
amounts or weights reflect Member States' assumptions about differences in needs and the economies of scale from additional household members. The adjustment can be expressed through equalising factors, namely the factors by which economic needs are assumed to change between a single-person household and other households. Typically, the income threshold varies based on household size and whether household members are adults or children. The most commonly used method is the OECD-modified equivalence scale. Other practices define several types of household composition, to which a given level of benefit is assigned. Poland's Periodic Allowance is an exception in that it differentiates only between single-person households and households consisting of more than one person when setting the level of benefits payable.

**Table 3. Relative threshold practices**

| Base benefit with a given amount or percentage increase for additional household members | Definition of household composition types and assigned benefit levels |
|--|---|
| BG, CY, EE, IE, EL, ES, HR, IT, LV, LT, LU, HU, MT, PT, RO, SI, FI, SE                   | BE, CZ, DK, DE, FR, NL, AT, SK, PL                                    |

For pure illustration purposes, Chart 33 shows the maximum nominal values granted to beneficiaries (also used for the means test) under the main minimum income schemes. These do not account for complementary benefits, such as housing or other relevant income support, which are accounted for in the adequacy indicators in each Member State. The reported values are based on information from the country fiches.

**Chart 33. Nominal monthly level of core MI benefit scheme (EUR, rounded), single-person households (2021)**



NB: HR scheme 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 6 months; NL scheme calculated for a single person between the age of 21 and retirement age; PL scheme corresponds to the minimum the social assistance office is obliged to grant.



Source: Country fiches.

#### 4.3.2. *Income included in the means test*

Various types of income may be taken into consideration for the assessment of the means test. This information can also provide some indication of the stringency of the means test. In total, around half of the Member States include income from social benefits in the means test (with some exceptions). In the other Member States, social benefits are not taken into account (albeit with exceptions, whereby IE and DE follow a different approach for each of their respective main MI benefits). Income from various allowances that specifically address particular needs is generally not included in the income test, reflecting the fact that a person living with a disability needs additional resources to achieve the same standard of living as a person without a disability. For instance, in France and Finland, disability benefits/allowances are disregarded while disability pensions/insurance are considered. Furthermore, it seems that in-kind benefits, for example whether a household lives in social housing (already paying a reduced rent), are generally excluded from the means test.

Another interesting comparison is whether accumulation of MI benefits with (limited) income from work is allowed. It appears that in most Member States there is no formal requirement that an applicant cannot have income from work. However, it seems that in some Member States only very marginal income from work can be combined with the MI benefit (BG, CZ, HR, HU and RO, see also Section 5 and Annex 2) <sup>(44)</sup>.

Furthermore, in 15 Member States, income from capital gains is included in the means test (e.g. interest, sale of assets, shares in companies). There are variations concerning the treatment of donations, but these would typically be included in the countries where this is applied <sup>(45)</sup>. Often, these Member States would also request, as a reference for the means test, the tax declaration where such information has to be taken into account.

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<sup>(44)</sup> ERGO Network, November 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 <https://ergonetwork.org/>)

<sup>45</sup> Capital gains are considered in the following countries for all existing MI benefits assessed: BE, BG, CZ, EE, FI, EL, ES, HR, LV, LU, MT, AT, PT, SI, SE.

#### 4.3.3. *Asset test*

**Countries differ in the types of assets included and excluded in the means testing.**

All Member States apply asset tests concerning real estate and moveable assets. They play a key role in reviewing asset values, to assess if some assets could be sold to improve claimants' income situations. Assets are sometimes excluded or not considered stringent, to prevent beneficiaries from slipping into an asset-poor situation and requesting a change in living standards. In minimum income schemes where beneficiaries may rely only on income support temporarily or to top up their income, asset criteria play a less important role, often up to a specific ceiling.

In Member States where MI benefit means tests take into account owner-occupied real estate, homeowners may need to review their standard of living if they are considered asset-rich. In other cases, owner-occupied residence is excluded but sometimes this is only up to a certain ceiling. In general, real estate owned by the applicant but not occupied by them is taken into account in the means test, as it can be a source of regular income. On the other hand, ownership of additional real estate also creates costs, for example maintenance costs which may not be considered formally by the design of the means test.

Additional criteria to evaluate the wealth and the asset situation of a MI applicant are moveable assets. These are in general use in MI schemes across the Member States, albeit the type of moveable assets included may differ (e.g. jewellery, vehicles, art). Common exemptions include standard household appliances, equipment used for claimants' occupations or needed by persons with disability or illnesses, or the value of agricultural assets and home production. There is often a discretionary threshold for applicant-owned moveable assets for daily use. A vehicle (moveable asset) can have considerable weight in some means test designs, either by setting a very low nominal value for it (e.g. EUR 5 000) or by including it entirely in the means test – meaning that it is not always possible to own a car and still benefit from the scheme. This might cause unnecessary difficulties, specifically in rural areas where public transport may be scarce and having a vehicle is essential.

In addition, pension savings plans might be considered in the means test in a few countries <sup>(46)</sup>. On the other hand, sometimes debt can be taken into account for the means test, like in Belgium and Croatia.

#### *4.3.4. Regularity and methodology of updates of benefits*

**In most Member States, the levels of MI 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.

In 13 Member States, **minimum income benefits are revised periodically (usually on an annual basis) as part of the state budget preparation or other political activities.** These mechanisms, however, are not automatically applied and generate a change in the levels of benefits. The revisions are linked to different parameters across Member States. Estonia, Cyprus, Lithuania and Poland revise the level of the schemes using the same basket of goods and services used to set the level of the benefits. Spain, Hungary and Austria use pensions as reference. Some Member States relate to wages (MT) or income levels (LV) as reference parameters. The inflation rate / consumer price index (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 index for sustenance and personal needs exceeds 5 %). 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 the existing reference value, a new one must be set. 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. 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.

Ten Member States have **automatic indexation systems that adjust the amount of the MI benefits on a regular basis to account for changes in the costs of living.** Most of these systems are based on the inflation rate / variation of the CPI (in BE, FR, RO as of 2022 and SI), while other less common parameters are wages (used in DK, NL and SK, where the level of MI benefits is anchored to the level of the minimum wage) and the pension index (used in FI) <sup>(47)</sup>. Germany also implements an indexation system,

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<sup>(46)</sup> Spain, France, Croatia, Cyprus, Luxembourg, Malta, Slovenia

<sup>(47)</sup> The basic amount of social assistance is tied to the national pension index. The national pension index monitors the cost-of-

which is based on a weighted index including both the change in the price index for goods and services taken into account in the calculation of minimum income benefits (70 % weight) and the change in average net wages and salaries per employee (30 % weight).

Overall, the automatic indexation systems operate annually, with the exception of the Netherlands, where the MI benefits are updated twice a year. In Luxembourg, an increase in MI benefits is triggered when the CPI varies by 2.5 % in relation to the figure triggering the previous adjustment. In Germany, the benefit level is revised annually: every 5 years, the MI benefits are redetermined based on new data. In between these reviews, the benefit level is updated based on the annual indexation system. The values of the Latvian and Polish schemes are revised every 3 years. However, in Belgium, the level of the benefits is linked to the CPI and is updated once it varies by at least 2 % in relation to the previous pivot index. The Social Integration Income in Portugal is (re)calculated as a share of the Social Support Index. Some schemes are revised less regularly, such as in Czechia, where it was updated in 2012 and 2020, or in Croatia, where it was last amended in 2014. In some countries, the revision of the benefit level relies on political decisions (like in Bulgaria), while other systems (e.g. in EL, IT, HU and PT) do not follow an established fixed frequency for indexation.

#### *4.3.5. Frequency of eligibility reviews*

The beneficiary's eligibility can be reviewed either at regular intervals, such as after a set duration, or when their administrative and labour market status changes (Table 4). While the beneficiary has the obligation to declare such changes when they occur (in general within 5 to 15 calendar days), the set duration between comprehensive checks by the implementing authority varies between 1, 6 or 12 months across the Member States.

Yet, reviews at regular intervals and ad hoc changes based on circumstances are not completely mutually exclusive. Countries that review the eligibility of beneficiaries regularly may differ in whether they implement ad hoc adjustments to benefits or only suspend access at the end of the benefit duration. Furthermore, in addition to regular assessments, some countries and schemes keep track of changes in personal

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living index, which Statistics Finland determines on the basis of price data of key commodities.

circumstances, such as monitoring improvements in the beneficiaries' employment status or income to adjust the amounts they are entitled to. Regarding the latter, beneficiaries often have an additional responsibility to report changes in circumstances, including changes to their personal details, household composition, status and income levels. In Hungary, for example, eligibility is reviewed regularly and when the personal circumstances of the beneficiary change (which must be reported within 15 days).

**Table 4. Various frequency of eligibility reviews**

| <b>Reviews with less than 6-month frequency</b>       | <b>Annual reviews</b>                    | <b>Reporting obligation in case of change of situation</b> |
|---|--|--|
| CY, CZ *, DK, EE, FR, LV, LT, PL, RO, SK, SI,*FI, SE* | BG*, EL***, HR, IT, HU*, MT, PT* ES*,SI* | BE, DE, IE, LU, NL, ES**,SI, AT                            |

\* Both regular and ad hoc reporting apply. \*\* Some Spanish regions. \*\*\*After 6 months

#### **4.4. Activation conditions**

**In principle, MI schemes require all recipients of working age who are deemed capable to work to actively seek work.** It usually means registering as unemployed with the PES, being available for activation programs, actively seeking a job or participating in various community service arrangements. Common features are registration and attendance at regular check-ins with the national PES, sanctions for refusing job offers, signing an agreement or action plan, participation in a rehabilitation programme for those with incapacity for work and participation in training. These conditions exist in all Member States, but their implementation varies greatly. According to the regulations, non-compliance with such activation conditions might lead to withdrawal or temporary suspension of the benefits. Additional discussion on the implementation of activation conditions – in particular regarding to labour market participation and the corresponding service provisions – is provided in Chapter 5.

#### **4.5. Non-take-up**

**The non-take-up of benefits appears to be high in all Member States.** This refers to a situation in which eligible people or households are not taking up benefits to which they are entitled.

**Available estimates of non-take-up based on microsimulation and survey data typically range around 30 % to 50 % of the eligible population.** A 2015 Eurofound study<sup>(48)</sup> estimates that non-take-up of monetary social benefits ranges between approximately 25 % to 80 % in 15 Member States. The study also suggests that the issue of non-take-up may be a problem in other Member States. A recent comparative study<sup>(49)</sup> provides estimates of the non-take-up of minimum income benefits in four Member States (BE, DE, NL, FI) and the United Kingdom. It corroborates the Eurofound results in showing that non-take-up of minimum income schemes typically ranges around 30 % to 50 % of the eligible population. Furthermore, it appears that the issue of non-take-up is not significant for smaller benefit amounts, but rather that the level of benefits not taken up is of a similar amount as the actual average of benefits.

**Significant non-take-up of social rights might be explained by various factors**, such as lack of information (lack of awareness or misperceptions about the benefit, entitlement or application procedures), cost or complexity of access (inhibiting complexity of the application procedure lack of time, inability to find one's way through the system, or inability to travel to the welfare or employment office) and social barriers (stigma or perception of stigma – sometimes linked to the conditions tied to a benefit or to the application procedure, pride or lack of trust in institutions). A range of measures can address these issues, including the simplification and consolidation of services, improving accessibility and developing personalised support adapted to the most disadvantaged.

**Monitoring is a considerable challenge to tackling non-take-up.** It appears important to use multiple sources of information – such as administrative data, tax reporting, studies or in-person interviews, along with ensuring better data exchange within administrations. Additional discussion on monitoring aspects related to non-take-up is discussed in Chapter 6.

**Automation and improved data exchanges between relevant authorities can improve the uptake of social rights.** There are various levels of automation possible, including for example: the automatic identification and means assessment of potential beneficiaries; their automatic enrolment in social assistance schemes; and automatic assessment of their continued eligibility. Such automation could streamline the process

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<sup>(48)</sup> Dubois, H. and Ludwinek, A., *Access to social benefits: Reducing non-take-up*, Eurofound, Publications Office of the European Union, Luxembourg, 2015

([https://www.eurofound.europa.eu/sites/default/files/ef\\_publication/field\\_ef\\_document/ef1536en.pdf](https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1536en.pdf)<sup>48</sup>).

<sup>(49)</sup> Marc, C., Portela, M., Hannafi, C., Le Gall, R., Rode, A., & Laguërodie, S. (2022). Quantifier le non-recours aux minima sociaux en Europe - Un phénomène d'ampleur qui peine à susciter le débat. DREES, Les Dossiers de la DREES, 94

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 implementation of reforms related to automation should take into consideration privacy and protection aspects, the potential impacts of programming errors and the potentially lower capacity of authorities to identify more specific needs. The TAKE project <sup>(50)</sup>, conducted jointly by the University of Antwerp, the University of Liège, the Federal Planning Bureau and the Federal Public Service Social Security, shows through national case studies that the automatic identification of potential beneficiaries and the automation of take-up significantly increases the number of beneficiaries who actually receive the social benefits to which they are entitled.

Finally, **a better integration of the various social benefits and services can improve the effective take-up of minimum income schemes.** In some cases, the multiplicity of benefits and services, agencies and application procedures increases the complexity of information that potential claimants need to know in order to apply for benefits. The segmentation of the social protection system reduces take-up and thus the effective functioning of the social protection system.

## **5. CHAPTER 5 – ACTIVATION ELEMENTS AND ACCESS TO SERVICES**

This chapter discusses the support to labour market integration of beneficiaries in relation to the activation requirements and support to social inclusion. Financial incentives for taking up work are explored through contextual information on the tapering/gradual phasing out of benefits. The chapter also reviews participation in active labour market policies and the integrated provision of enabling services, in particular personalised social services that support access to the labour market and social inclusion.

**The labour market situation of MI beneficiaries varies significantly across Member States and across time.** Comparative evidence on the labour market attachment of minimum income recipients is scarce, since this requires harmonised data sources. Estimates based on EU-SILC indicate that on average in the EU, around one third of minimum income beneficiaries have some labour market attachment, even if it can be weak (at least some hours worked registered over the past year). In other words, around one third of minimum income beneficiaries have some recent work

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<sup>(50)</sup> Lefevre, E., Goedemé, T., de Wilde, M. and De Spiegeleer, T. (2019)), 'Nonrecours à l'intervention majorée et octroi automatique de droits : aperçu et étude de cas', *Revue belge de sécurité sociale*, Vol. 2(2019), p. pp. 251–284 and Van Gestel, R., Goedemé, T., Janssens, J., Lefevre, E. and Lemkens, R. (2022)), 'Improving take-up by reaching out to potential beneficiaries: insights from a large-scale field experiment in Belgium' in, *Journal of social policy*



experience<sup>(51)</sup>. Accordingly, around one sixth of minimum income beneficiaries without a job obtain one the following year within the EU, again with significant variations between countries (from around 5 % to around 30 %) and over years<sup>(52)</sup>. Evidence from administrative data indicates that the yearly exit rate to employment of minimum income beneficiaries that benefit from active labour market policies varies widely, from around 6 % to around 50 %.

### 5.1. Facilitating access to the labour market

Getting people off benefits and helping them to participate in the labour market is seen as one of the main routes towards reducing poverty. The extent to which MI schemes actively facilitate transitions to work is thus a key element of their effectiveness.

In general, recipients of MI benefits are subject to labour market activation requirements but the strictness of these conditions varies by Member State. In addition, such conditions are to be completed by provision of active labour market services and guaranteed participation of MI beneficiaries in such measures. Furthermore, it is essential (also for fairness' sake) that work pays off and labour market participation is also supported by incentives to make work pay.

Entry to activation measures may happen by default in cases where schemes are similar to those of unemployment assistance, where participation is a precondition to receive benefits. Exceptions apply, including where the onus is on the recipient to show that their situation makes work unfeasible, or based on an initial needs assessment that is usually made by the benefit-paying authority.

Once the recipient has entered into activation measures, there is generally another assessment of employability/proximity to the labour market made by the PES. This leads to the development of an individualised action plan (Job Integration Plan), the delivery of appropriate active labour market services and measures and ends with the start of employment and any support provided during this transition.

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<sup>51</sup> European Commission, Directorate-General for Employment, Social Affairs and Inclusion, Ende, M., Scharle, Á., Csillag, M., et al., *Study about the methodology to measure the returns on investment from integrated social assistance schemes : – Final report*, European Commission, Directorate-General for Employment, Social Affairs and Inclusion, Publications Office of the European Union, Luxembourg, 2020 (<https://data.europa.eu/doi/10.2767/716458>, ).

<sup>(52)</sup> European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 'Employment and social developments in Europe: – Leaving no one behind and striving for more: fairness and solidarity in the European social market economy', Publications Office of the European Union, Luxembourg, 2020 (<https://data.europa.eu/doi/10.2767/478772>, ).



As discussed in Chapter 3, people living in poverty and quasi-jobless household recipients have less access to certain services than the rest of society. While there has been some overall improvement and convergence in accessing healthcare and housing, there are still significant differences among the Member States. In terms of non-participation in training related to professional activity due to availability and affordability, the latest available data <sup>(53)</sup> also illustrates a gap, ranging from around 20 % in LV and ES to having similar or better access (negative or no gap) in SE and DK. Access to education and training is particularly important for labour market participation, so improvements in facilitating participation in such measures is key for minimum income beneficiaries.

#### *5.1.1. Activation requirements and sanctions*

**While labour market activation requirements should be integral to a MI scheme, the extent to which benefit recipients actually have access to activation measures varies considerably across schemes.** Minimum income support may vary for schemes that are combined with unemployment assistance – where active job-searching is normally a precondition to receive the benefit – from those last resort schemes that effectively support only people who are not able to work (either because of their own physical/mental condition or because they are caring for dependents). In the latter cases, activation is a more distant prospect. In addition, for beneficiaries who are employed, activation conditions are not valid if the MI acts as a top-up of work-related income.

#### **Coverage of the minimum income beneficiaries with active labour market and job search measures**

The extent to which labour market activation requirements <sup>(54)</sup> apply in practice is important from a policy perspective. When assessing the effectiveness of schemes and potential reforms, it is important to take into account different aspects, such as the characteristics of the target group that a scheme is intended to reach, the relevance and relative priority attached to LM activation, the type of support that is needed and expectations of the outcomes to be achieved.

In general, all minimum income schemes – in principle – require recipients of working age to actively seek work. Yet, in practice the actual number of people subject to activation requirements may be considerably lower.

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<sup>(53)</sup> See benchmarking framework on minimum income benefits 2021 update.

<sup>(54)</sup> As presented in section 4.4, such as registering as unemployed with the PES, being available for activation programmes, actively seek for a job or participate in various community service arrangements, etc.

In most cases, this principle is subject to a series of exemptions that circumvent the requirement of active job-searching. Typical exemptions include disability over a certain threshold, caring for children below a certain age, caring for dependent adults or participation in either education/training or an active labour market measure. Often it is up to the applicant to demonstrate or prove that they fulfil one or more of the exemption criteria. In other words, the activation requirements apply by default, unless there is a good reason for them not to.

Potential monetary **sanctions for non-compliance with activation requirements** are common in all Member States. With the use of sanctions being commonplace, the key difference between MI schemes is in the nature of the sanctions and how they are applied. In this regard, different approaches can be observed in terms of remedial actions accompanying financial sanctions, the nature of the sanctions and how they are applied.

In several Member States, **remedial actions** are taken to avoid further monetary sanctions in the case of MI recipients failing to comply with activation requirements. In five countries, pre-emptive actions are taken in the form of issuing formal notices or warnings (BE, LU and HU), providing counselling (HU, only after a formal warning) and conducting an individual assessment to review the situation (CY) before any financial sanctions are applied. In Luxembourg, a simple written warning is often sufficient to ensure compliance and avoid financial sanctions. In Finland, social work support is provided to any individual subject to sanctions, to establish an action plan in order to deal with the situation.

In terms of the nature of the monetary sanctions applied, the possibility of complete suspension or withdrawal of access to MI benefits exists in almost all countries. There are two different approaches to such sanctions. The first is the termination of benefits, possibly accompanied by de-registration from the unemployment register. This option is available in 19 Member States <sup>(55)</sup>. It implies a need to re-apply for MI benefits and, where relevant, re-register as an unemployed person to regain access to MI benefits. However, restrictions may be placed on this. For example, in the case of the specific solidarity allowance in France, such a sanction prevents re-registration for between 2 and 6 months (depending on the circumstances) while in Hungary sanctioned individuals are required to cooperate with the PES for 1 year before being able to reclaim benefits.

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<sup>(55)</sup> In BG, CZ, DK, EE, EL, FR, HR, IT, CY, LV, LT, LU, HU, MT, PL, PT, RO, SI and SE.

The second approach is the temporary suspension of benefits for a defined period. This option is available in many countries <sup>(56)</sup>. The suspension often has a fixed term, after which benefits are automatically reinstated. However, in some cases the term may be conditional on recipients meeting certain conditions. For example, recipients of the Labour market subsidy in Finland that repeatedly fail to comply with activation requirements may have their benefits suspended until they participate in an active labour market programme (ALMP), education or employment. In Estonia, recipients failing to attend meetings with the PES have their benefits suspended until they attend a meeting.

In around half of the Member States (BG, CZ, EL, HR, IT, CY, LV, LT, HU, MT, PT, RO and SI), the complete suspension or withdrawal of access to MI benefits appears to be the only type of sanction available. This implies that once applied, sanctions have a severe impact in terms of loss of MI benefit income, particularly if benefits are terminated.

However, other countries (BE, DK, EE, IE, ES, FR, LU, AT, SK, FI and SE) <sup>(57)</sup> appear to have a more lenient option of applying temporary reductions in MI benefits, either in the form of percentage reduction in the MI benefit amount (e.g. FR, LU) or by deducting fixed amounts from the MI benefits (e.g. FI). This implies that recipients do not completely lose their right to MI benefits.

In many countries (BE, CZ, DK, DE, EE, ES, FR, LU, NL, RO and FI), different sanctions are applied depending on the nature of non-compliance by MI recipients. In some cases, there are clearly defined sanctions for specific situations. For example, three countries appear to have specific sanctions related to refusal to participate in public works (BG, LT and SK). In others, the severity of the sanction is linked to the severity of the non-compliance, including through more severe sanctions for continued/repeated non-compliance. For example, in Luxembourg sanctions are applied for non-compliance with the activation plan or activation agreement, refusal to participate in ALMP and unjustified absence from an appointment with the authority. Sanctions increase in severity if non-compliance persists. First, a written warning is sent. Second, MI benefits are reduced by 20 % for 3 months. Lastly, MI benefits are suspended for 3 months. In case of serious offences, MI benefits may be terminated completely.

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<sup>(56)</sup> In BE, DK, EE, IE, ES, NL, AT, RO, PT and FI.

<sup>(57)</sup> In Sweden, failure to comply with work-related requirements may result in the complete withdrawal of, or a temporary reduction in benefits.

Further, in some countries (CZ, LT, PT, RO, SI) sanctions also account for dependants. For example, in Lithuania, refusal to participate in public works can result in suspension of the MI benefit for the non-compliant household member, but MI benefits continue to be paid for their children. Such considerations play a role in limiting the impact of sanctions on other vulnerable persons.

Overall, the nature of the different sanction regimes suggests that there is a balance to be struck in terms of applying sanctions that are not too lenient, in the sense that they impose a basic requirement to comply, but also not too strict, in the sense that they do not excessively punish minor non-compliance and affect those who struggle to comply for valid reasons (e.g. health, care responsibilities).

#### 5.1.2. *Financial incentives*

On top of enabling and encouraging MI recipients to participate in ALMP measures and take up employment offers, it is essential to ensure that work does indeed pay.

**Making work pay is a matter of fairness**, ensuring that transitions to work translate into higher incomes. Still, there is no evidence that ensuring that incentives to work are positive has a significant impact on labour market transitions of minimum income beneficiaries. While available evidence on the impact of monetary incentives remains patchy (as it requires data on the labour market situation of minimum income beneficiaries, ideally over time), available estimates based for instance on SILC longitudinal data highlight that the potential effect of monetary disincentives on labour market participation of minimum income beneficiaries is not significant <sup>(58)</sup>.

**The absence of significant impact of financial incentives on labour market transitions of minimum income beneficiaries most probably highlights that the barriers to labour market participation for them are multiple** and broader than the monetary dimension. In addition, beneficiaries often face other barriers that can actually have a much stronger impact on their access to the labour market for instance as highlighted in the analysis of barriers to the labour market for various groups) <sup>(59)</sup>. In particular, it appears that many other dimensions than the adequacy of minimum income benefits have a significant positive impact on the labour market transitions of minimum

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<sup>(58)</sup> 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>).

<sup>(59)</sup> See for instance OECD (2020), 'Faces of Joblessness – Towards People-centred Employment Support' (<https://www.oecd.org/els/soc/faces-of-joblessness.htm>).

income beneficiaries, such as their skills, the overall availability of jobs (as measured by gross domestic product growth) or participation in job counselling <sup>(60)</sup>.

### ***Combining minimum income benefit and income from ALMPs***

While engaging in ALMP measures, MI beneficiaries receive benefits that may be combined with additional income in numerous countries <sup>(61)</sup>, albeit exceptions may apply to specific types of ALMP measures.

**In most of these cases <sup>(62)</sup>, the possibility exists for MI beneficiaries to receive additional income deriving from participation in certain ALMP measures** (e.g. allowances, wages). This, however, does not necessarily imply a rise or top-up in the income of the MI recipient or represent a financial incentive to participate in ALMP measures. Indeed, in some such cases (BE, BG, CZ, HR, LV, PL, RO and SI), the additional income is taken into account in the means test. This results in a corresponding adjustment in MI benefits and, should the income be sufficiently high, may lead to withdrawal of the MI benefit (such as in HR for measures other than public works).

In some countries (DK, DE, EE, HR, AT, PL, RO and SK), the income associated with certain ALMP measures does not appear to have an impact on MI benefits, thus resulting in a top-up of the income of MI recipients. For example, MI recipients in Croatia and Poland can combine their MI benefits with income derived from participation in public works, while MI recipients in Austria receive an additional benefit on top of their MI benefit should they engage in ALMP measures for 16 hours or more per week. Whether such top-ups constitute a financial incentive to engage in active measures depends, however, on the obligation to participate in the corresponding measures. In Austria there is a clear financial incentive, but this does not apply to Croatia, as MI recipients must participate in public works. Most notably, in Slovakia, participation in public works for at least 64 hours per month is obligatory for MI recipients (if deemed fit for work). The resultant activation allowance might appear to be a top-up, but is in practice an integral part of the benefit, without which the basic benefit amount is simply insufficient to support a reasonable standard of living. The allowance is also payable when participating in other active labour market measures, but because participation in public works is obligatory and the levels of activation are

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<sup>60</sup> See ESDE 2020 and *Study about the methodology to measure the returns on investment from integrated social assistance schemes: final report*, (2020).

<sup>(61)</sup> BE, BG, CZ, DK, DE, EE, EL, FR, HR, IT, CY, LV, NL, AT, PL, RO, SI, SK and FI.

<sup>(62)</sup> BE, BG, CZ, DK, DE, EE, ES, HR, LV, AT, PL, RO, SI, and SK.

generally low, this route to the top-up is of minor importance. In relation to engaging in employment, there are only few countries which offer no possibility to continue to receive MI benefit once a recipient becomes employed – namely Latvia, Hungary and Slovakia. However, MI recipients may instead receive a separate in-work benefit once they take up work. For example, in Slovakia, a specific in-work benefit is granted for up to 18 months to long-term unemployed members of the household when taking up work that meets certain pre-set criteria.

### *Combining minimum income benefits and employment earnings*

**In the majority of cases, MI 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 (BE, CZ, DK, DE, EE, IE, EL, ES, FR, HR, IT, CY, LU, NL, AT, PT, RO, SI, FI and SE) and/or the amount of work they perform does not exceed a particular threshold (EE, IE). Indeed, income-based means tests are typically used to determine eligibility and the MI benefit may be reduced as earnings rises.

**In most cases, take-up of employment is clearly incentivised by ensuring that overall income is higher upon starting work.** This is achieved in two different ways. A first approach (observed in BE, CZ, DK, EE, IT, LT, NL, AT, PT, SI<sup>63</sup>, FI and SE) is to exempt part of the work income from means testing or the calculation of MI benefits, often for a fixed period. For example, in the case of the subsistence benefit in Estonia, a recipient who has been receiving the benefit for at least 2 months and starts work has 100 % of their income excluded from the means test for the first 2 months and then 50 % for the next 4 months. A second approach (observed in HR, LT, MT and RO) is to continue the MI benefits for a fixed period and tapering the amount over time. This approach may be most pertinent in cases where MI benefits are fixed amounts and not based on income. For example, in Malta, after starting work an MI recipient receives 65 % of the benefit during the first year, 45 % during the second and 25 % during the third.

This analysis can be further expanded based on the minimum income benchmarking framework, for instance by looking into the income composition of a minimum income beneficiary taking up a job on a low wage. It appears that the shares of full-time work or work intensity (at a low wage of 50 % of the average wage) where minimum income actually phases out are very heterogeneous among Member States. They range from very low levels of less than 10 % full-time (in HU and RO), to low levels (less than 25 % full-time in BG, HR, PL, SK), while in most Member States it is closer to half time and in some others it is close to full time (DK, EE, EL, LV, SI).

Furthermore, in a number of Member States it appears that while minimum income benefits are gradually phased out with higher earnings, the actual income of minimum

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<sup>63</sup> In Slovenia the in-work benefit is part of the threshold for entitlement to CSA and raises the eligibility threshold for the CSA.



income beneficiaries does not increase significantly when earnings increase (like in BE, IE, ES, HR, LT, AT, PL, SE , and to a lesser extent BG, DE, IT, NL, SI, FI). The situation in HU is more specific, as minimum income are fully withdrawn as soon as earnings increase. On the other hand, in some Member States the benefits are phased out more gradually, entailing a more significant increase in the income of beneficiaries when earnings increase (CZ, DK, EE, EL, FR, LV).

#### *5.1.3. Active labour market policy provision*

**In general, recipients of minimum income benefits who are registered with the PES are covered by the activation measure applicable to all registered unemployed.** In general, there is a standardised initial assessment/profiling that determines proximity to the labour market and needs. The subsequent implementation of an action plan and its content are then determined on the basis of the profile of each individual, rather than the type of benefit that they receive.

It is important to emphasise, however, that this process is not necessarily linked to receipt of MI benefits. In particular, people who are already registered as unemployed when they start a claim to MI benefits are very unlikely to be subject to an additional assessment that is specifically linked to that claim. There is thus an important difference between: (i) those newly registering as unemployed, who will get an initial assessment to guide the activation process, because it is a requirement to receive the MI benefit; and (ii) those already registered, who will continue with their existing JIA (job integration agreement).

For those already registered as unemployed, the extent to which further assessments are made will be linked to the duration of their unemployment spell and national practices. In particular, those unemployed for a year or more should benefit from the support envisaged under the Council Recommendation for the integration of the long-term unemployed into the labour market <sup>(64)</sup> (henceforth the LTU recommendation), which envisages an additional in-depth assessment to be undertaken before reaching 18 months of unemployment and the delivery of a JIA.

It seems very likely that a large proportion of MI recipients are long-term unemployed so that, amongst those that are subject to activation requirements and registered with the PES, it is likely that many will have a **JIA**. The LTU recommendation states that JIAs should be based on a comprehensive in-depth assessment, define the services and

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<sup>(64)</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016H0220 %2801 %29&qid=1456753373365>



measures that will be offered to facilitate a return to work – with mutual obligations of the employment service and the jobseeker – and specify a single point of contact (SPOC) intended to support the integrated delivery of employment, social and any other services needed (e.g. health). In practice, the extent to which the different JIA or their equivalents fulfil these criteria varies considerably between countries.

In the majority of countries (22) there is no distinct JIA (see Table 5). Many countries use **Individual Action Plan** – IAP for all jobseekers, in half of these there is an additional in-depth assessment and comprehensive review/update of the IAP once the individual becomes long-term unemployed. Although the JIA should formally define access to social and employment services where needed, this is often not the case. However, in practice the respective services might cooperate informally. The latest available data from monitoring of the LTU recommendation (covering 2020) indicates that there are only 10 Member States in which the JIA establishes a SPOC (BE, BG, DK, ES, FR, NL, AT, PT, SK) <sup>(65)</sup>. This is despite the fact that the PES in 16 Member States report having established or identified the institution designated to act as the SPOC <sup>(66)</sup>.

**Table 5. Types of Job Integration Agreement (JIA) provided to long-term registered unemployed**

| Type of JIA   | Countries                                  |
|---|--|
| Dedicated JIA   | BG, IE *, PT, RO, SK                       |
| IAP with additional in-depth assessment upon becoming LTU | CZ, DK, DE, FR, HR, IT, LV, LT, HU, MT, SI |
| Regular IAP   | BE, EE, EL, ES, FR, CY, LU, NL, AT, PL, SE |

\* Refers to people becoming long-term registered unemployed who are selected at random for referral to the JobPath service (delivered by private service providers) where they will get an updated action plan and intensified support. LTU not selected for JobPath remain with Intreo (the PES) and continue to follow their personal progression plan (as provided to all people receiving unemployment benefits).

Source: DG EMPL, LTU monitoring database.

<sup>(65)</sup> Directorate-General for Employment, Social Affairs and Inclusion (January 2022), *Data collection for monitoring the LTU Recommendation. Full results for 2020*. January 2022.

<sup>(66)</sup> European Commission, European PES network, *Integrated services for long-term unemployed*, 2020 (<https://ec.europa.eu/social/BlobServlet?docId=23528&langId=en>).

Assessment and action planning linked to labour market activation that is specific to minimum income recipients (rather than generic for short- or long-term registered unemployed) tends, therefore, to be confined to cases where authorities other than the PES have an operational role in delivering activation services. For instance, in Belgium, claimants have to demonstrate a ‘willingness’ to work, which has less stringent job-search requirements than for people receiving an unemployment benefit. Social workers from the Public Centres for Social Work complete a detailed individualised assessment and develop, together with the client, a social integration plan aimed at increasing self-reliance and readiness for work. In Finland, the responsibility for jobseekers that have been unemployed for long periods is shared among the employment and business service office, social services and the social insurance institution. A multidisciplinary assessment results in the production of an employment plan that covers employment, social, health and rehabilitation services depending on individual needs. In France, local councils undertake a multidimensional needs assessment that determines the type of support needed. Those deemed ready for work must register with the PES and get a personalised action plan while the remainder are directed to either social orientation or socio-professional orientation, provided by organisations including social non-governmental organisations (NGOs) and training centres. The latter are intended to address social difficulties alongside job-search activities. However, while recipients may sign a reciprocal engagement contract defining the actions they should take together with their support organisation, in practice only half of recipients do so and only one quarter of these contracts include any actions related to searching for jobs.

**In short, while participation in LM activation activities is a requirement for most MI schemes, the LM activation measures are not an integral part of the schemes.** Recipients that are deemed fit for work are directed to register with the PES and follow the regular activation measures for all registered unemployed, with differentiation based on individual needs and duration of unemployment, but not on the type of benefit received. While there may be sufficient coordination practices between social/benefit authorities and the PES, data that differentiates clients by type of benefit is not monitored. In this sense, benefit delivery and the labour market activation processes are effectively separate.

#### *5.1.4. Types of labour market activation measures*

**Minimum income recipients generally get access to the same services and measures as other registered unemployed, with rare priority or specification based on their benefit status.**

Referral to relevant services and active measures is largely based on individual needs. The one major exception to this in many countries is public works or similar direct job creation measures, participation in which is either obligatory or the first resort for MI recipients, depending on the national system (see some examples in Box 2). This is

despite the fact that public works are generally considered to have little or no benefit in terms of supporting longer-term transitions to employment. For example, a meta-evaluation of different types of active labour market programmes (Card et al., 2015) concluded that ‘public sector employment programs have negligible, or even negative program impacts at all-time horizons’ <sup>(67)</sup>.

## Box 2. Examples of participation in public works

- **Slovakia (Material need benefit).** Participation in public works is a precondition for claiming the *activation allowance*, to supplement the *material need benefit*. While the aim is to increase employability, the measure has been shown to be ineffective because of the lack of focus on upgrading skills (Value for Money, 2020) <sup>(68)</sup>.
- **Croatia (Guaranteed minimum benefit).** Participation in public works for between 30–90 hours per month is obligatory (i.e. a condition of continued registration and benefits). Participants engaged in public works can keep their benefits alongside any income earned.
- **Czechia (Assistance in material need).** Registered MI recipients tend to be placed on measures including public works. MI recipients may also be offered counselling services and motivational courses, but are less likely to benefit from subsidised employment measures in the private sector.
- **Hungary (Benefit for persons in active age: employment substituting benefit).** Recipients are prioritised for public works, though other types of measure (training, wage subsidies) are available.
- **Latvia (Guaranteed minimum income benefit).** Recipients are mostly placed on public works or other measures targeted at long-term unemployed.
- **Luxembourg (Social inclusion income).** The most widely used measures for recipients are public works and preparatory measures (basic skills / language training).
- **Poland (Periodic allowance).** Two targeted schemes for MI recipients offer ‘socially useful works’, either alone or in conjunction with social integration services.

MI recipients registered with the PES often tend to be placed on measures targeted at long-term unemployed, with MI recipients occasionally being prioritised for these measures (e.g. EL, SK). In Greece, for instance, recipients of the *Guaranteed minimum income* are prioritised in the selection of ALMP measure participants and for a higher rate or a longer duration of the subsidy.

Examples of measures specifically targeted at MI recipients are rare. In Belgium, recipients of the Integration income tend to be placed by the regional PES on measures designed to support those furthest from the labour market (e.g. intensive mediation, on-the-job training, activating care, temporary work experience and community work) but

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<sup>(67)</sup> Card, D., Kluve, J. and Weber, A., ‘What works? A meta-analysis of recent active labor market program evaluations’, IZA Discussion Paper No. 9236, 2015 (<https://docs.iza.org/dp9236.pdf>).

<sup>(68)</sup> Value for Money (2020): ‘Revízia výdavkov na skupiny ohrozené chudobou a sociálnym vylúčením. Finálna správa’ (Spending review on groups at risk of poverty and social exclusion. Final report.), Ministry of Finance of the Republic of Slovakia, 2020 (<https://www.minedu.sk/data/att/15944.pdf>).

there is no data available to distinguish participants by type of benefit. The Flemish PES has developed a temporary work experience measure targeted exclusively at MI recipients and providing up to 2 years of support through apprenticeships and on-the-job training for people out of work for a long time, mostly low-skilled or with a migrant background. The measure is implemented through cooperation with both profit and non-profit organisations and used by the large majority of social centres in the region, but to varying degrees (on average about one fifth of MI recipients). Evaluation shows positive outcomes, with 39 % in work 3 months after ending the programme and 69 % of these still in work a year later.

Relatively little usable data specific to the activation of MI recipients is available, and even this has some issues of comparability in terms of what is being measured and how. In the majority of cases for which data is available, levels of LM activation are low, with less than 15 % and often less than 10 % of MI recipients placed on an active labour market measure in any given year <sup>(69)</sup>.

### Box 3. LM activation for MI recipients supported by the PES

The levels of LM activation for MI recipients supported by the PES are higher in the following cases, though they also offer complementary assistance similar to that of unemployment schemes:

- **Estonia (Unemployment allowance).** 55 % of recipients participated in LM activation services provided by the PES in 2019. However, this figure includes career advice and counselling services, which might not be considered as activation elsewhere. If data is based on activation related top-ups, for example, these would almost certainly be paid only in the case of participation in active measures, but not services. It is reported that 24 % of MI recipients in Estonia benefited from training measures.
- **Austria (Guaranteed minimum resources).** 51 % of recipients registered with the PES in 2020 participated in LM activation measures, of which more than half were ‘qualification’ (training) measures and one sixth were subsidised employment measures. However, less than half (43 %) of all MI recipients registered with the PES received a minimum income benefit only – the majority (57 %) received MI benefit as a top-up to a low unemployment insurance benefit.
- **Finland (Labour market subsidy).** Around one quarter (27 %) of MI recipients also received a benefit related to participation in an LM activation measure. Interestingly, the activation rate is around 50 % for recipients unemployed for less than 100 days but drops off to 15–20 % for those unemployed for more than a year.
- **Poland (Periodic allowance).** 38 % of recipients of any form of social assistance (periodic allowance plus others) completed ‘socially useful works’ (a form of public works) in 2020. Data on other types of measure is apparently available but was not provided. Moreover, the proportion of MI recipients that is actually registered with the PES is very small (< 5 % of recipients of working age).

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<sup>(69)</sup> Data available for DE (Basic income support for jobseekers), EL, HR, IT, LT, LU, FI (Social assistance)).

## 5.2. Facilitating social integration

Minimum income beneficiaries may face barriers to their social participation that also hamper their ability to seek, prepare for, obtain and retain employment. The provision of assistance to deal with such issues can be seen as an important step in bringing those furthest from the labour market back into a position where they can engage in activation and improve their well-being and overall social participation.

This section reviews the current state of play across Member States, considering the social integration regime in a stepwise process and focusing primarily on the main MI scheme(s). This starts with an initial multidimensional needs assessment and then moves on to the development of the social integration agreement / action plan and the delivery of social services. The assessment considers (where relevant) the extent to which these processes form part of an integrated service provision model and are integral to the MI regime.

### 5.2.1. *Identification of social needs – multidimensional assessment*

In order to help with any social issues experienced by MI recipients, a process by which these can be comprehensively identified is needed, namely a multidimensional assessment aimed at assessing social needs.

In general, such separate assessments do not appear to be performed in the case of the MI schemes where all working-age recipients are subject to activation requirements (in EE, IE, ES, FR, HU, MT, AT and PT) beyond the standardised initial assessment/profiling that determines proximity to the labour market and needs. Among the remaining MI schemes, in seven Member States no multidimensional assessment appears to be carried out among MI recipients (in CZ, IE, ES, HU, MT, AT and SK). These schemes vary considerably in the extent to which activation requirements are applied to recipients (e.g. a large majority in CZ and ES and none in IE and MT).

Overall, some kind of (multidimensional) needs assessment is carried out in most of the countries. In around half of Member States <sup>(70)</sup> the assessment is conducted equally for all MI recipients. In a smaller group of Member States <sup>(71)</sup> the assessment is not applied equally to all beneficiaries, because the benefits are limited to certain groups (e.g. unemployed of a specific duration in FI), or application varies between municipalities (e.g. in NL) and it is not legally required and thus seldom used (e.g. in LT).

In some Member States (BE, BG, DK, DE, FR, HR, RO) 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, for the Guaranteed minimum benefit in Croatia, such an assessment is at the discretion of the case workers in the Centres for Social Welfare, while the Monthly social assistance allowance in Bulgaria is provided on an ad hoc basis, at the discretion of the local social directorate.

In most cases, the multidimensional assessment is either partially <sup>(72)</sup> or fully <sup>(73)</sup> distinct from the relevant employability assessment carried out for MI recipients. Partial cases are those where the assessment includes some employability assessment or is effectively an extension of an existing employability assessment. An example is Cash Social Assistance in Slovenia, where an assessment encompassing both employability and social issues is carried out as soon as the benefits are granted and a further separate assessment focusing more on social needs is subsequently carried out for the long-term unemployed.

In most cases, available multidimensional assessments are performed within a month of application for or granting of MI benefits. There are, however, some cases where a longer waiting period could potentially arise before an assessment is conducted (BE, DK, FR, PT, FI – Labour market subsidy) or where the wait varies between municipalities (DE, LT, NL).

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<sup>(70)</sup> BE (Integration income), DK (social assistance), DE (subsistence benefit and basic income support for jobseekers), EE (subsistence benefit), EL (guaranteed minimum income), CY (guaranteed minimum income), LV (guaranteed minimum income benefit), LU (social inclusion income), PL (periodic allowance), PT (social integration income), FI (social assistance), SE (social assistance – livelihood support).

<sup>(71)</sup> BG (monthly social assistance allowances), FR (active solidarity income), HR (guaranteed minimum benefit), IT (guaranteed minimum income), LT (social assistance benefit), NL (participation act), RO (social aid for ensuring the guaranteed minimum income), SI (cash social assistance), FI (LM subsidy).

<sup>(72)</sup> BE, BG, CY, PL, SI, FI (social assistance).

<sup>(73)</sup> DK, DE (subsistence benefit), EE, EL, HR, IT, LV, LT, PT, RO, SE.

### 5.2.2. *Addressing social needs – provision of integration plans and social services*

In around half of Member States where a multidimensional needs assessment is carried out, an individualised social integration agreement / action plan may be provided to MI recipients, laying out the steps to be taken to counter the social and financial barriers to social integration identified in the assessment. The only countries where this does not appear to be the case are Bulgaria, Greece, Croatia, Cyprus, the Netherlands and Romania. However, even in these cases, the assessment may still be used as a basis to inform and direct recipients to relevant services. For example, in the case of the guaranteed minimum benefit in Croatia, the assessment is used by social workers to be able to inform MI recipients on relevant social services.

Where individualised social integration agreement/action plans are provided, participation is typically obligatory for the recipients. However, there are a few cases where participation is voluntary (PL and SI), voluntary in certain circumstances (e.g. dependant on working capacity in EE) or where the requirement to participate may vary geographically (e.g. between different municipalities in DE).

The scope of the agreements / action plans in terms of the types of assistance covered varies, likely in relation to the nature and organisation of available services. It is not possible to directly compare the assistance that may be provided, due to varying levels of detail and comprehensiveness of the available information. However, the following types of assistance can potentially be provided: general social services (socially orientated information, counselling and mediation services), health (general healthcare services as along with more specific services such as domestic/personal assistance, specialist transport, rehabilitation, addiction services and mental health services), education (general education services and specific training or courses such as language training), housing (general housing services and temporary/emergency shelter), finance (personal finance services including specific assistance related to debt and social security), dependants (general family support services and childcare services and care services for dependant relatives) and others (leisure/cultural services, legal services and assistance with basic needs such as food, hygiene or energy).

Across the schemes where social integration agreement / action plans may be established, the most common categories of assistance are related to health and dependants, typically childcare. This suggests that these two categories tend to be particularly important forms of social assistance for MI recipients. However, it appears that the range of assistance can vary considerably between schemes, with some offering a wider array of assistance than others.

In these cases, it is clear that social integration agreement / action plans play a key role in targeting the provision of specific social services to MI recipients in need of them.



Among the cases where there is no agreement or action plan, targeted provision of social services is applied in half of the countries where there are multidimensional assessments (e.g. CY, NL and RO). One such example is the Netherlands, where case managers are well- informed on the situation of their clients and thus positioned to refer them to relevant forms of assistance, but this approach may vary between municipalities. In contrast, targeted provision of social services is extremely limited among cases where there is no multidimensional assessment.

### 5.2.3. *Integrated social assistance*

Access to and participation in social services among MI recipients may be facilitated through service models adopting an integrated approach to service provision. These may involve cooperation between providers, partnership agreements, joint needs assessments, joint follow-ups, one-stop shops, joint evaluations and monitoring frameworks, sequential provision of different services, etc. However, there is only a relatively limited number of Member States where some participants are potentially served by such a model. Even among these, there are clear differences in the extent to which such a model is generally available. For example, in some Member States (BG, DE, FR, IT and SE) applications are determined by the municipal or local government, while in others (LT, PL and RO), an integrated service model is limited to pilot projects.

The nature of the integrated services models vary. This likely stems from underlying differences in the organisation and scope of the different providers of social services in each country, along with the established processes for directing and delivering various services to MI recipients. Indeed, a varying range of organisations are identified as being involved in the delivery of integrated services across cases, including for example PES, social insurance institutions, training institutions, social services, municipal and local governments, NGOs and other service providers. There are some existing models to illustrate the variety in approaches to enabling integrated service provisions (see Box 4).

#### **Box 4. Enabling integrated service provisions**

- **One-stop-shop model in Finland.** A multidisciplinary service model was adopted that is operated jointly by the PES (TE Office), social services and the social insurance institute (Kela). This model enables the various public authorities to offer their services on a one-stop-shop basis in the offices of the PES and in municipalities across the country. Through this, together with the client, they decide on the kind of action plan to develop and the services to be provided.
- **Partnership agreements in France.** For recipients of active solidarity income, the organisation of social support is coordinated at the departmental level through the departmental integration plan and the territorial integration pact. The former sets out the guidelines for social support to be made available to inhabitants of a given department, while the latter establishes the cooperation of different stakeholders involved in delivering the services of the departmental action plan. In some *départements*, there are one-stop shops providing assessment and guidance services to recipients.



- **Regulated cooperation in Slovenia.** Cooperation between social services (Social Work Centres) and PES (the local employment offices) to provide labour market policies, including social activation, is obligatory and regulated by the Social Assistance Payments Act and the Labour Market Regulation Act. Through this cooperation, access to social activation services is delivered through both stakeholders, who cooperate and exchange data on the treatment of MI recipients and other unemployed persons with social issues.
- **Collaborative assessments in Lithuania (pilot project).** There is currently no generally available integrated service model. However, a new model that is being piloted in certain municipalities integrates employment and social service provision for recipients of MI benefits. Through this, the PES, municipalities and NGOs cooperate in assessing the needs of recipients and directing them towards relevant services through a process involving case managers and case teams. The case managers conduct a multidimensional assessment with the aid of access to information available from all the cooperating services. This assessment is then used by case teams, which are composed of representatives of the municipal social assistance units, the PES and other providers of social services, to identify the services to be provided to recipients.

There are few cases (in CY, LU, NL and FI) where there are regular monitoring frameworks associated with integrated service provision that serve to monitor the combined service package (i.e. rather than independent monitoring of the different services by each relevant provider). There are only two cases for which there is information about how such frameworks are organised or operate. In Finland, monitoring is the joint responsibility of the authorities involved in the delivery of the integrated service model. This means that each authority is responsible for monitoring their own activities, but this is then shared between them. In the Netherlands, the responsibility for the monitoring and evaluation of the integrated service provision lies with the Minister and State Secretary for Social Affairs and Employment. This mostly concerns assessing the primary goal of the MI scheme – which is to support benefit recipients in obtaining work (preferably in regular employment) and reducing dependency on benefits – and tends to focus on the overall results of service provision, but specific evaluations of specific services may also be performed. Other institutions (e.g. Netherlands Institute for Social Research) produce reports focusing more on the broader dimensions of the well-being and societal outcomes of MI recipients. There is also monitoring at the municipal level, enabled through a data dashboard that combines information from municipalities and the Dutch national statistical office.

A key aspect of monitoring is data sharing. While there is little information about how this is performed in practice, there are suggestions that it is not straightforward. Indeed, a range of issues associated with data sharing have been identified. These include obstacles and difficulties presented by data protection legislation (e.g. in DK and NL), the involvement of a large numbers of stakeholders (e.g. in FR), a lack of tools to collect and communicate data (e.g. in FR) and inaccuracies/gaps in the collected data (e.g. in LT).

The chapter provides a synthesis of the state of play of Member States' governance structures, with a particular focus on monitoring and evaluation practices and the potential impact of governance on non-take-up.

Most Member States regulate their minimum income schemes at the national level, but there is some degree of variation regarding the sharing of responsibilities among various levels of governance in terms of financing, as presented in Figure 1. Most countries rely on financing at the national level, with funds from the central budget. A smaller number of countries have mechanisms for funding the benefits and services directly from the local level, at which the MI schemes are implemented. In Austria, the schemes are governed and financed regionally, although basic common features are defined across provinces to ensure a certain degree of uniformity. Spain and France have a more complex set of rules, whereby financing for some schemes originates at the national level while other complementary policies are funded regionally or locally. In Croatia, the guaranteed minimum benefit scheme is financed nationally, while additional housing and heating costs of the poorest households are paid by local and regional self-governing units.

Map of Europe showing the distribution of governance levels for the 2014-2020 period. The map is color-coded according to the legend:

- Regional (Blue)
- National (Orange)
- National/Regional (Grey)
- National/Local (Yellow)
- National/Regional/Local (Light Blue)
- Local (Green)

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Finland, social assistance is partially administered by municipalities and partially by Kela, a central-level governance agency with regional/local offices.

For the Member States in which the regulation of MI schemes is determined at the national level, local agencies' discretion over the payments of MI benefits is limited to amounts established nationally. In Latvia and Austria, local agencies have full discretion over the payment of MI benefits, as both countries' MI systems are governed at the regional or local level. In France, local agencies have some discretion, as financing for different MI schemes comes from both national and local sources.

## **6.2. Common main features and challenges in monitoring and evaluation**

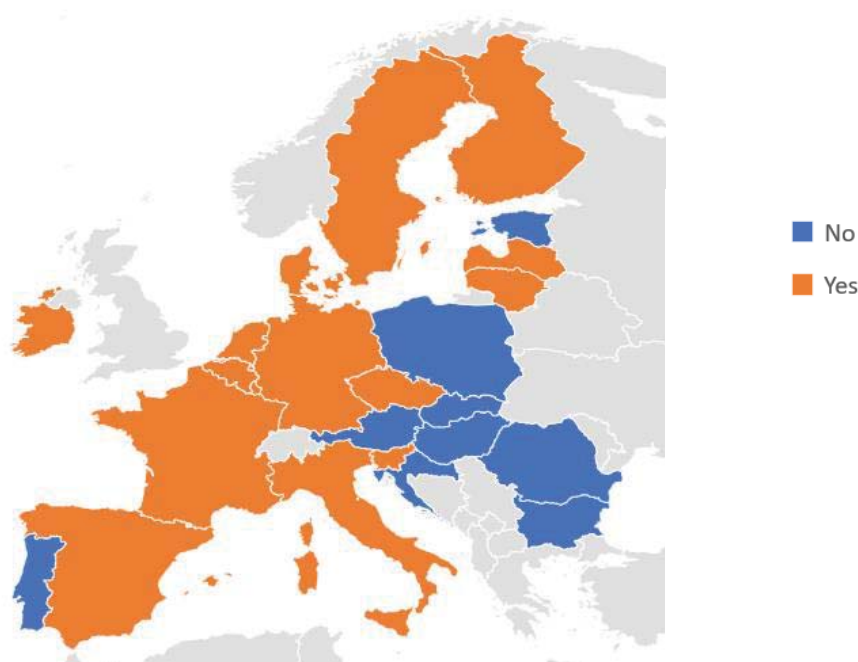
Several features are common across Member States when it comes to monitoring and evaluation practices.

**Slightly more than half of the Member States have regular monitoring mechanisms in place.** The main challenge to more regular monitoring appears to relate to cases of poor cooperation between different entities. This coordination issue 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), although sometimes the databases may be difficult to find and use. Most countries provide annual reports on the implementation process, sometimes including indicators to assess performance. In Denmark, monthly data is published on so-called Ministerial Goals and the key indicators of employment measures at different levels of government. 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 the MI scheme, with a focus on cost-effectiveness and the contributions made by the partner institutions. In Greece, a quarterly monitoring report is produced at the national level. In Finland, monitoring is the joint responsibility of the authorities participating in multi-disciplinary services. In Italy, the Ministry of Labour and Social Policy is responsible for monitoring the implementation of the Citizenship Income and must publish a report on it every year. 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 (Participation Act). In Slovenia, the Ministry of Labour, Family, Social Affairs and Equal Opportunities assesses labour market activation and publishes regular reports. Other Member States provide statistics about their schemes and make them available publicly. In Belgium, statistical data – especially

on the right to social integration, integration income benefits, individual plans for social integration, additional financial support and socio-professional integration exemptions – is collected and regularly published. In Germany, there is continuous statistical reporting on the training and labour market policy aspects of the schemes delivered by the Federal Employment Agency. In Latvia, the Ministry of Welfare is responsible for the processing and publication of data. 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 schemes and there are occasional publications of data on the national scheme.

**Figure 2 – Provision of regular monitoring reports**



### **Monitoring non-take-up**

**It appears that formally gathering information on non-take-up is rather scarce among the Member States.** In 15 Member States some estimates exist, albeit not necessarily formally carried out or approved (CZ, DK, DE, EE, EL, ES, FR, IT, LU, NL, AT, PL, PT, SI and FI). Ad hoc studies are increasingly being conducted to explore the challenges in the existing systems (BE, ES, FR, LT). Some Member States undertook reforms of the MI benefit and addressed the issue of take-up. For example, Luxembourg redesigned the application process to improve on waiting periods and Malta switched to an online application format to improve and facilitate take-up. However, numerous Member States have no formal or informal estimates that could provide further insights on the take-up rate of the MI benefit.

While data is shared across agencies to administer support or input into performance indicators at the local, regional, and national levels, it is rarely used to evaluate the impact of a scheme or policy change. On the one hand, collecting data on the claiming and payment process may help to identify bottlenecks and constraints within benefit administrations. On the other hand, this data may also help to understand reasons for non-take-up or non-receipt of benefits and whether minimum income schemes are reaching those targeted and are functioning as intended. This includes the ability to assess the strictness of eligibility criteria, sanctions and the length of benefit spells. For instance, around half of the Member States do not systematically record the time between the submission of application, the first payment and the duration of benefits spells, which may lead to skewed assumptions concerning the long-term dependency on minimum income schemes <sup>(74)</sup>.

Linking datasets across various institutions (e.g. PES, tax authorities) is a good practice to better track interactions and causalities between data and to provide a holistic picture of the situation of recipients. When datasets from different institutions are linked, establishing one body/office with a coordination role can contribute to ensuring the homogeneity and comparability of the data across different institutions. When data is collected at the local or regional level, it is important to harmonise it to ensure comparability. The use of a single information technology system across different regions/municipalities can contribute to this. For instance, in Romania a single point of contact collects all data into one information technology system and transmits it to the relevant ministry to support policy design. Concerning the use of data for more elaborated monitoring and evaluation purposes, data collection and management infrastructure may have to evolve further.

### **6.3. Recent major reforms**

Major reforms were recently established in Luxembourg, Italy and Spain. Overall, these three reforms have broadened access to the benefit schemes, either by including additional benefits or by altering the rules about monetary eligibility requirements.

- A reform of the MI scheme system took place in 2018 in Luxembourg with the introduction of Social Inclusion Income which provides a higher focus on activation – including mandatory screening and skills profiling of all people aged 25–65 in an applicant household, coupled with stricter conditions and sanctions linked to activation. Moreover, the child component of the benefit was

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<sup>(74)</sup> Based on a thematic discussions of MINET in November 2020 and April 2021.

increased, along with the benefit for children in single-parent families, due to the introduction of a social inclusion benefit and an activation benefit. The clarity of coordination and roles of the respective authorities has increased, with strengthened and formalised coordination mechanisms between the institutions. This has eliminated potential overlaps in the roles and responsibilities of the institutions involved, which were creating additional administrative burdens under the previous scheme. In addition, the regionalisation of social inclusion support provision has led to the creation of a network of regional social inclusion officers, who can follow recipients in need of social inclusion support more closely.

- Italy introduced its first national MI scheme (inclusion income) in 2018, which was replaced in 2019 by ‘citizenship income’ with higher budgetary resources and more generous rules about eligibility requirements and amounts and a longer duration. The implementation of active labour market policies and social inclusion activities for the beneficiaries is still being fine-tuned and additional adjustments might be needed in the eligibility requirements of the scheme, to improve the capacity to protect large households and non-Italian citizens residing in Italy against poverty.
- Spain introduced its first national scheme in 2020 with the aim of reinforcing the federal welfare system. It supplements the existing regional schemes, characterised by large disparities in terms of coverage, accessibility and the level of financial support. With the new scheme, everyone in need is expected to receive the same benefit, as the scheme targets working-age low-income households and aims to improve adequacy and increase coverage. It accounts for family composition, disposable income and wealth and aims to discourage the informal economy. The scheme is designed in line with the active inclusion approach, combining a cash benefit with a set of supporting social inclusion policy measures. Social and labour market support is provided by regional and local governments to leverage their proximity to citizens. Shared governance is ensured by collaboration agreements between the national administration and regional and local governments, along with the creation of a monitoring committee to foster intergovernmental cooperation and evaluation. In addition, the establishment of an advisory council strengthens the incorporation of social partners (employers, unions) and third-sector representatives into the governance. Additional fine-tuning was introduced at the end of 2020 concerning the introduction of a child supplement and the possibility of using the current year for means testing.

### **Reforms during the COVID-19 crisis**

As stated in the JER 2022, in the context of the COVID-19 crisis, the Member States introduced a number of temporary and permanent income support measures in 2020 and



2021. The crisis underlined the gaps in social protection systems affecting in particular people in vulnerable situations (such as low-income households without work-related income or people in precarious jobs). Governments hence adopted both emergency and permanent measures, introducing new schemes or adapting existing ones, and ensuring better adequacy and coverage of benefits for all, including from last-resort benefits.

Temporary measures to support families were introduced in Belgium, Bulgaria, Czechia, Italy and Latvia. The amounts, calculation methods and periods of eligibility for parental, child and family benefits became more generous in several Member States (BE – Brussels, EE, HU, LV, LT and RO). Specific policy measures addressing child poverty and supporting the social inclusion of vulnerable children were taken in Czechia, France and Lithuania.

Several Member States (BE, EL, ES, LT, NL, AT and FI) continued to take measures to support people affected by the crisis and not adequately covered by social protection, such as non-standard workers and the self-employed. Other Member States (BE, EE, FR, LT, HU, RO and SK) facilitated access to sickness benefits and also took some measures to strengthen access to healthcare. Some Member States (IT, LV, LT, LU, MT, PT and RO) took both temporary and permanent measures to improve the eligibility and adequacy of disability-related benefits and services. Accessibility of social services, particularly remotely, improved in some Member States (BG, ES, LT, PT) in response to limited in-person contacts during the pandemic, while others continued taking measures to support the housing tenure of households, notably from vulnerable groups, and some adopted more permanent measures to improve housing affordability in the longer run. In addition, targeted measures were introduced or expanded to support access to energy as an essential service for the most vulnerable <sup>(75)</sup>.

The pandemic has highlighted the importance of minimum income schemes and sometimes relaunched debates around the need to ensure adequacy and coverage, in order to provide appropriate support to people in need. During the COVID-19 crisis, besides the focus on job retention and unemployment benefits, some governments introduced additional protection measures in the form of income support for those lacking sufficient resources for a dignified life <sup>(76)</sup>.

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<sup>(75)</sup> See more details in JER 2022.

<sup>(76)</sup> See for instance Baptista, I., Marlier, E., Spasova, S., Peña-Casas, R., Fronteddu, B., Ghailani, D., Sabato, S. and Regazzoni, P. (2021),, *Social protection and inclusion policy responses to the COVID-19 crisis. – An analysis of policies in 35 countries*, European Social Policy Network (ESPN), Luxembourg, Publications Office of the European Union, Luxembourg, 2021 (<https://ec.europa.eu/social/BlobServlet?docId=24715&langId=en>).

In eight Member States, adjustments were made to already existing minimum income schemes – including mechanisms facilitating access to the scheme (e.g. relaxation of eligibility criteria), increases in the level of benefit or extra allowances and extensions of the duration of receipt of the benefit. In addition Spain introduced a new national MI scheme. In general, the governments reacted quickly to provide additional protection to vulnerable people: measures were implemented during the first half of 2020 and some of the extraordinary measures were extended for longer than originally foreseen.

Apart from these MI-related adjustments, emergency or extraordinary support measures were enacted, addressing the emerging needs resulting from the impact of the pandemic. These measures aimed to increase protection for people with limited links to, or detached from, the labour market (e.g. children, students, social assistance beneficiaries) who were directly affected by the pandemic situation. The measures included both means-tested and non-means-tested assistance (e.g. increased child support, increased support to students and/or young people, increased social assistance support, temporary food assistance and material assistance such as the distribution of electronic devices with an internet connection to ensure access to online education).

The SPC Annual Report 2021 recognised that the COVID-19 crisis has served as a powerful reminder of the importance of social protection systems in mitigating the economic and social effects of reduced economic activity and for enabling the social inclusion of the vulnerable. While social protection systems have fully played their role of automatic stabilisers, protecting the livelihood of many, the crisis also highlighted structural gaps in adequacy and coverage of social protection and social inclusion measures. While all Member States took emergency measures <sup>(77)</sup> to strengthen their social protection and social assistance systems, the crisis exposed pre-existing access and coverage gaps in a number of Member States. The need for further structural reforms in the area of income protection and social service provision was confirmed by several thematic and multilateral reviews of the SPC. The report concludes that Member States should step up their efforts to improve the effectiveness of adequate income support provision, including with access to high-quality social services and inclusive labour markets, in line with the active inclusion approach.

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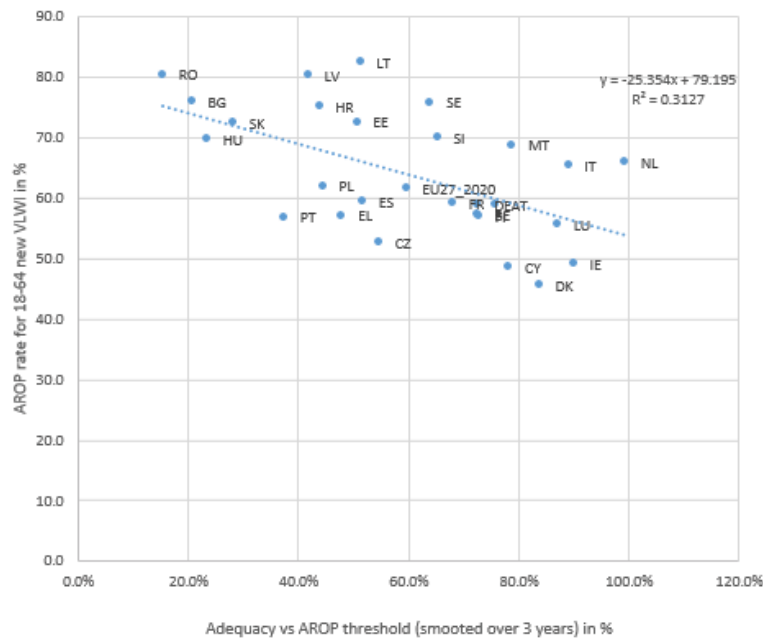
<sup>(77)</sup> See 2020 SPC Annual Report for a detailed overview of the measures taken at the national and EU levels in the wake of the COVID-19 crisis.



## Annexes

### Annex 1 – Correlation analysis

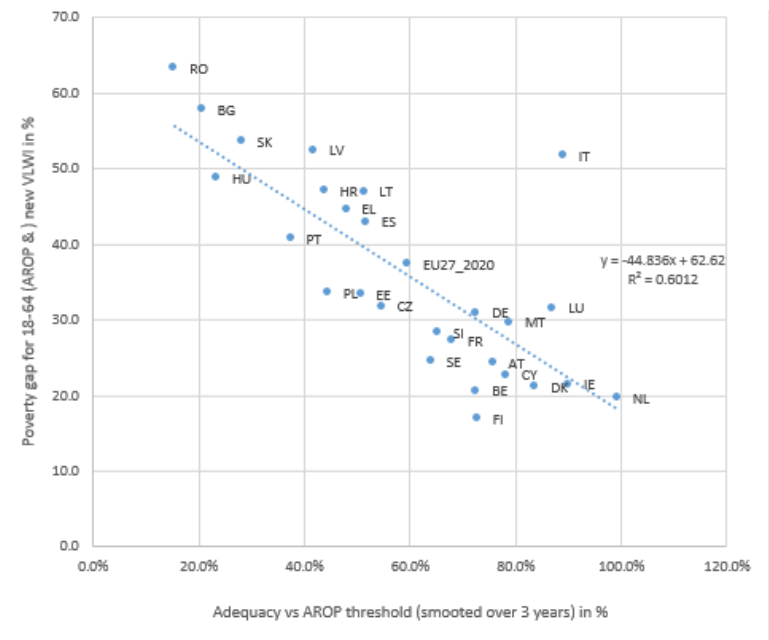
**Chart A1. Adequacy indicator (versus AROP threshold) versus AROP rate for population aged 18–64 living in quasi-jobless households (SILC 2020) <sup>(78)</sup>**



Source: DG EMPL computation on Eurostat data and OECD data.

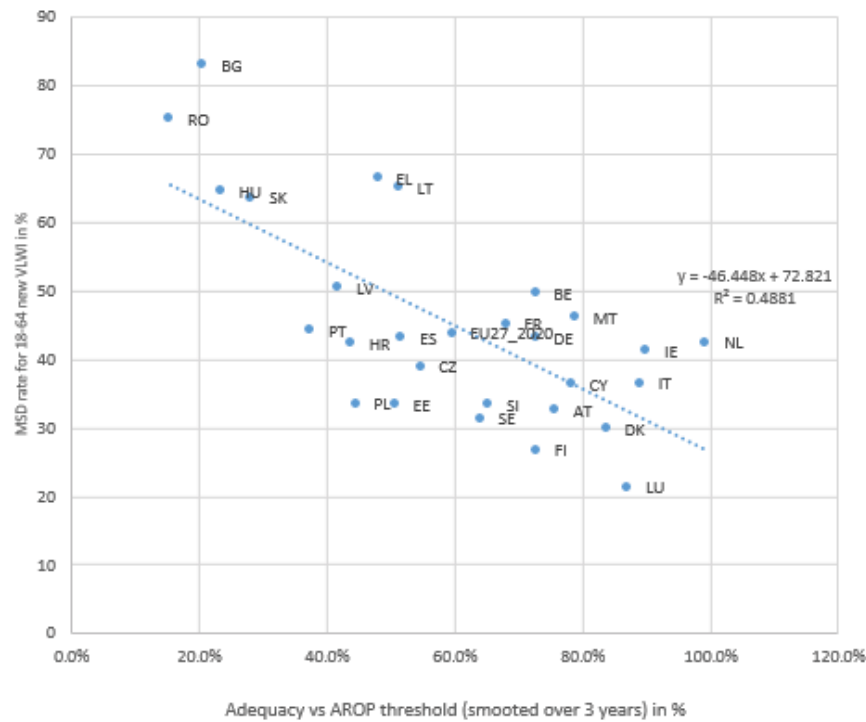
<sup>(78)</sup> Due to data availability, the old definition of 'persons living in households with very low intensity' is used here for the outcome indicator.

**Chart A2. Adequacy indicator (versus AROP threshold) versus poverty gap for population aged 18–64 AROP and living in quasi-jobless households (SILC 2020)**



Source: DG EMPL computation on Eurostat data and OECD data.

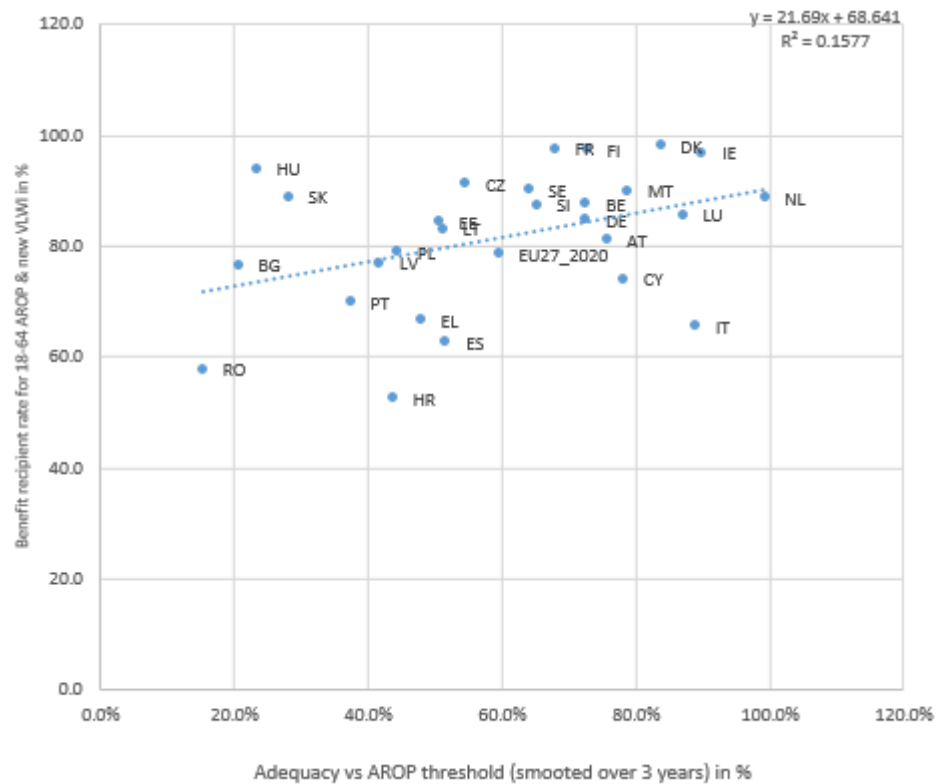
**Chart A3. Adequacy indicator (versus AROP threshold) versus MSD rate for population aged 18–64 AROP and living in quasi-jobless households (SILC 2020) <sup>(79)</sup>**



Source: DG EMPL computation on Eurostat data and OECD data.

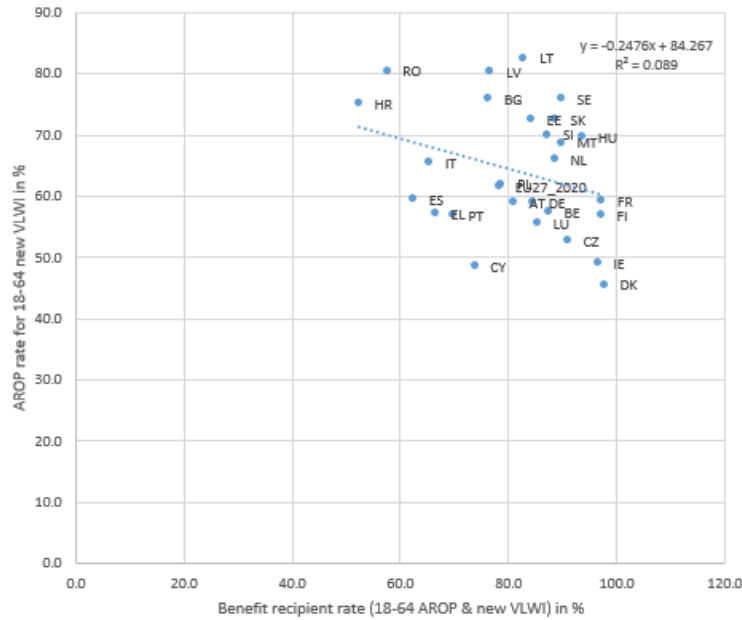
<sup>79</sup> Due to data availability, the old definition of ‘persons living in households with very low intensity’ is used here for the outcome indicator.<sup>(79)</sup> See footnote <sup>(84)</sup>.

**Chart A4. Adequacy indicator (versus AROP threshold) versus benefit recipient rate for population aged 18–64 AROP and living in quasi-jobless households (SILC 2020)**

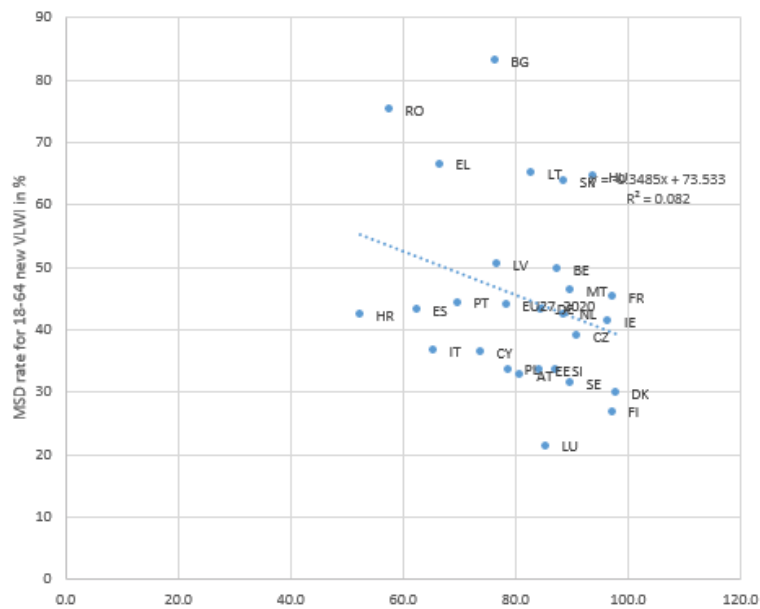


Source: DG EMPL computation on Eurostat data and OECD data.

**Chart A5. SILC 2020 – Benefit recipient rate (population aged 18–64 AROP and VLWI) versus AROP rate for population aged 18–64 VLWI**

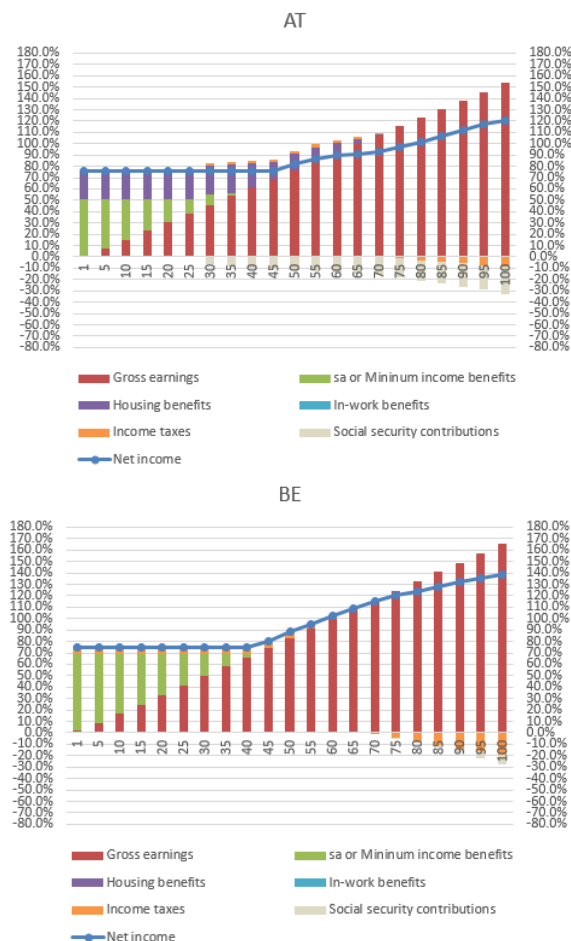


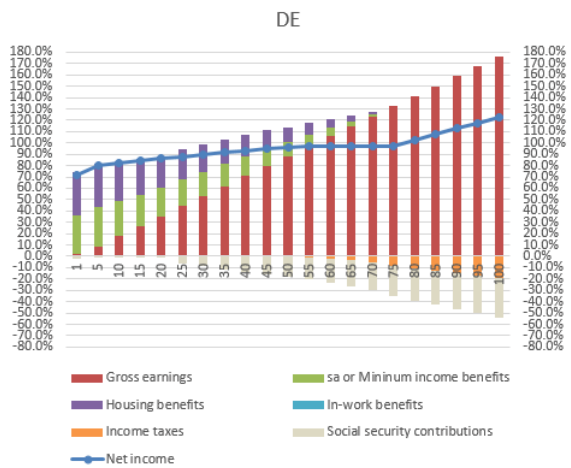
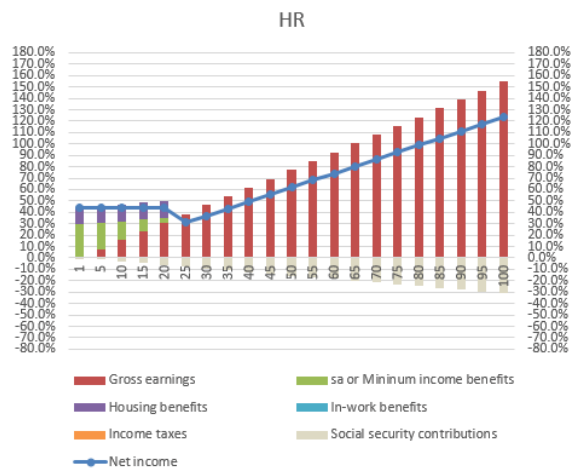
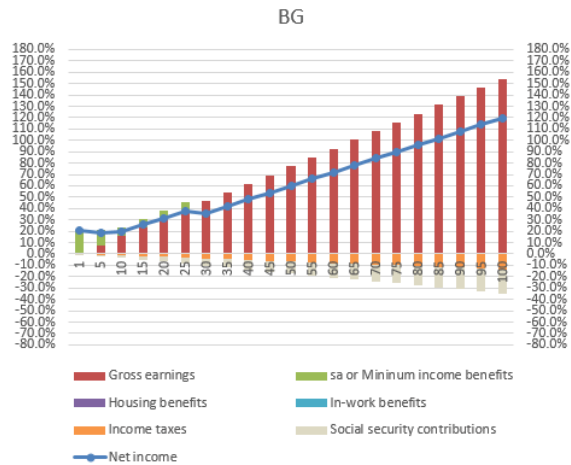
**Chart A6. SILC 2020 – Benefit recipient rate (population aged 18–64 AROP and new VLWI) versus MSD rate for new VLWI**

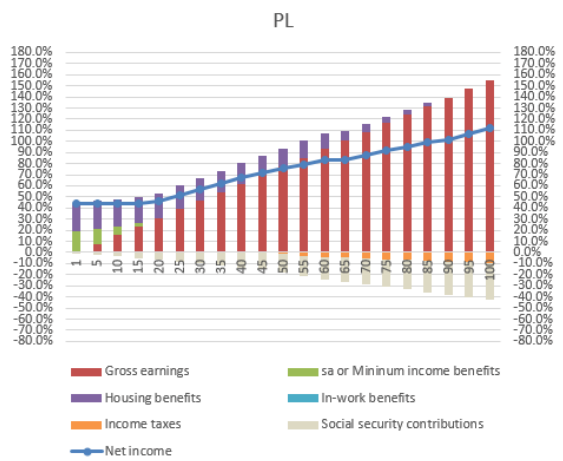
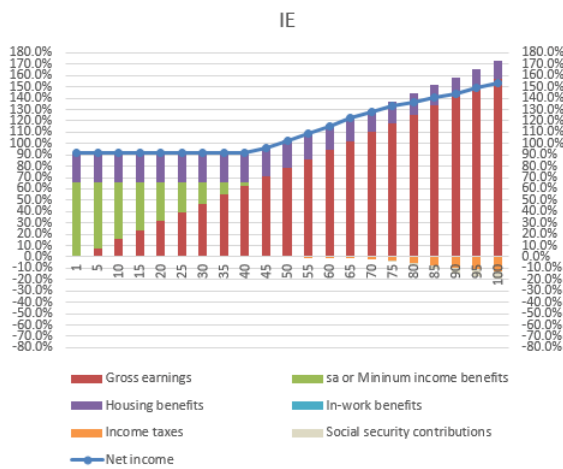
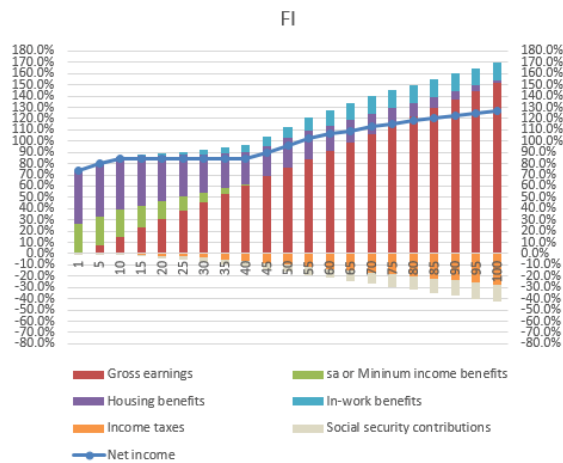


## Annex 2 – Income profiles of minimum income beneficiaries taking up employment

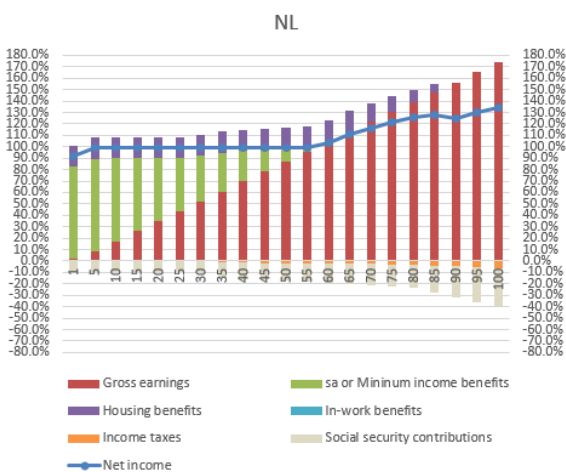
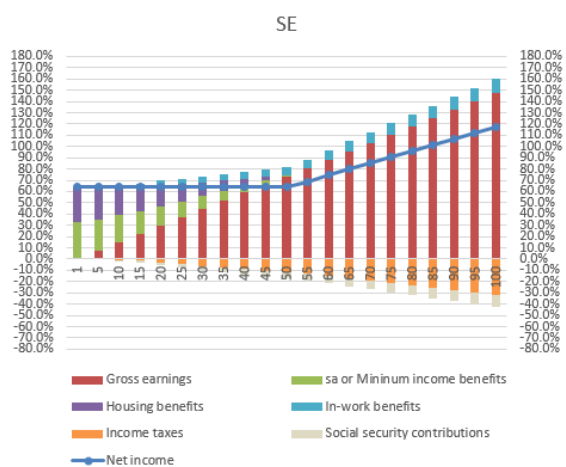
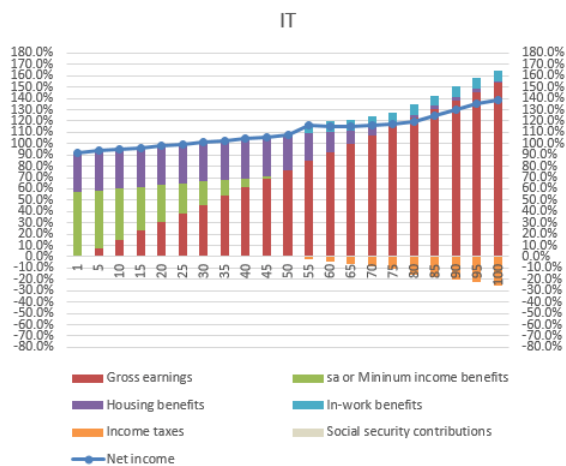
The following charts show the income profiles of minimum income beneficiaries when they take up a job and progressively increase their number of hours worked. They are based on the minimum income benchmarking framework and show (on the vertical axis) the net income and its composition for a single-person household for the income reference year 2019 (as a share of the (3-year smoothed) poverty threshold and with an assumption of housing costs at 11 % of the average wage). On the horizontal axis, the work intensity ranges from 1 % to 100 % of full-time work on a low wage (50 % of average wage). The net income (blue line) is the sum of the benefits and taxes mentioned below the charts, including in work benefits where relevant.

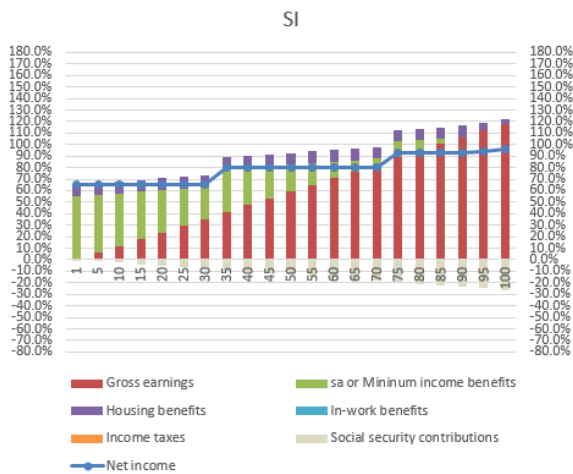
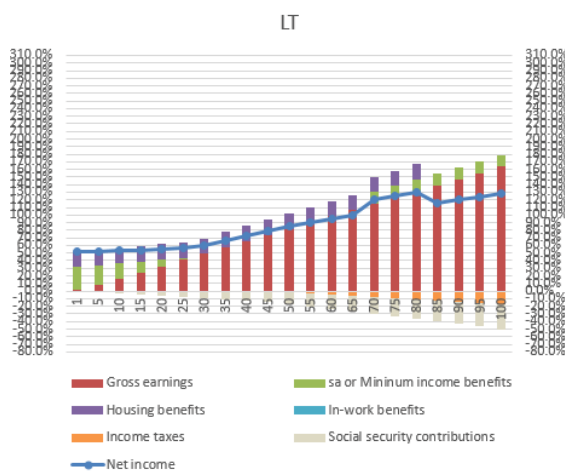
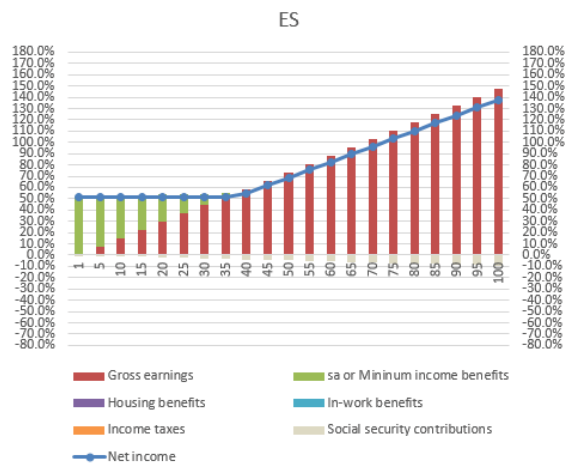


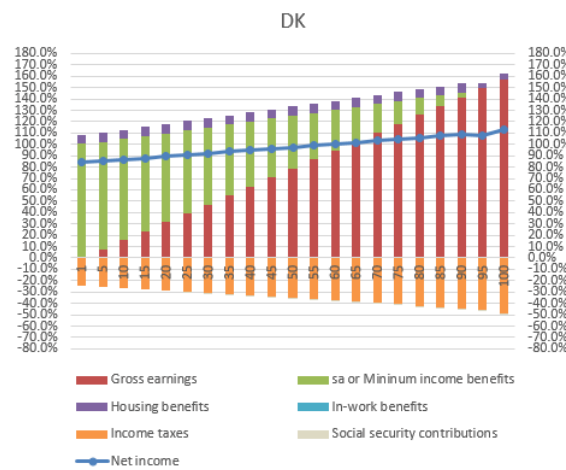
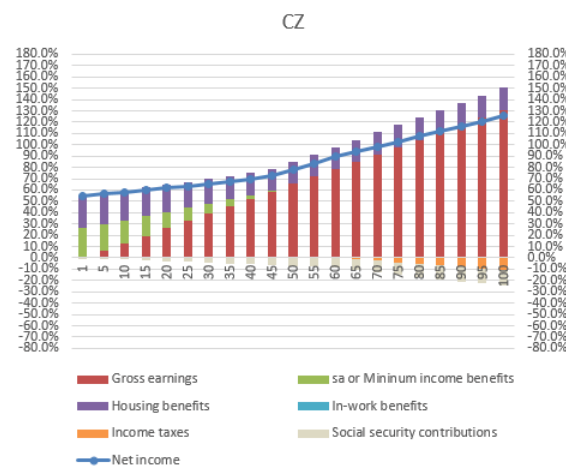
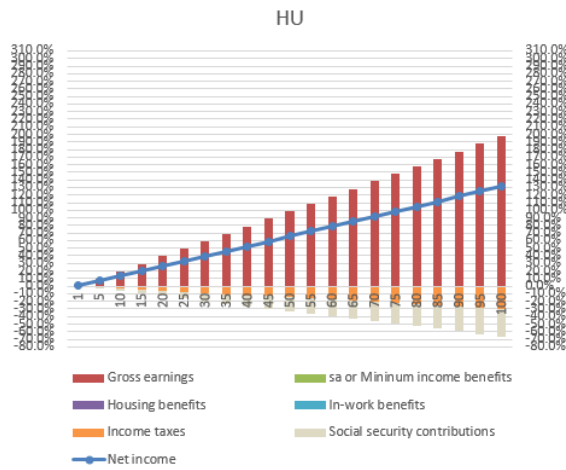


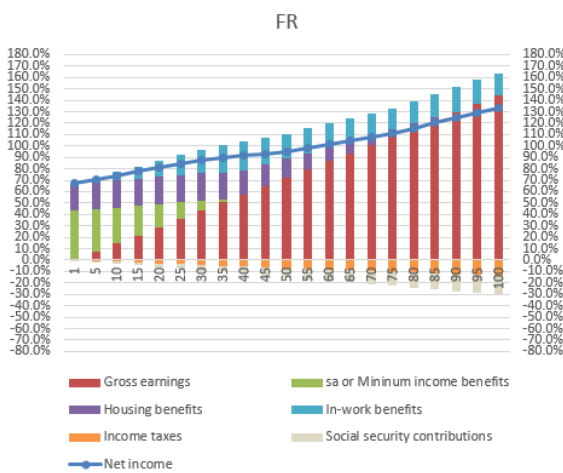
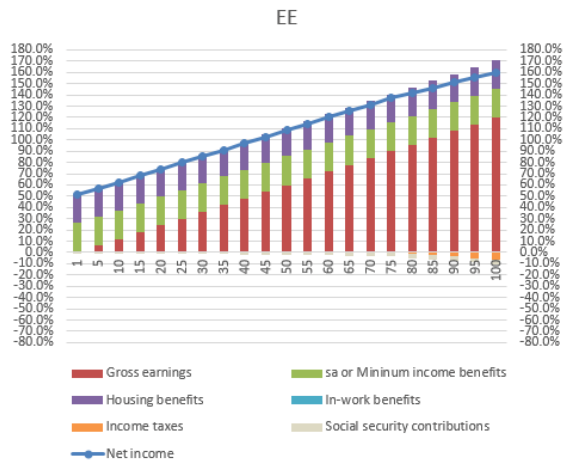


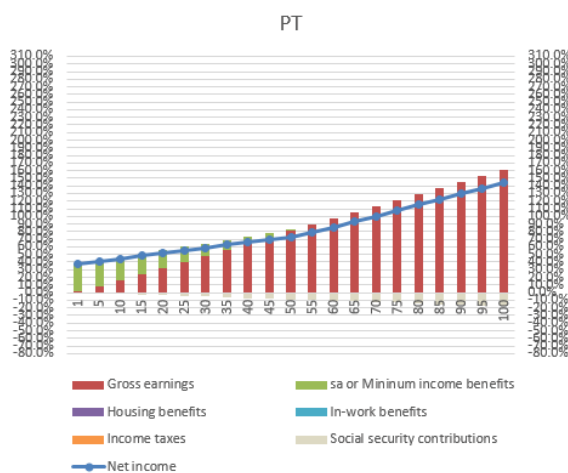
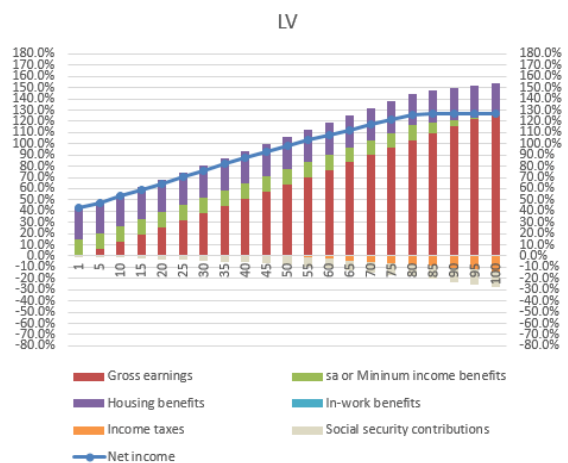


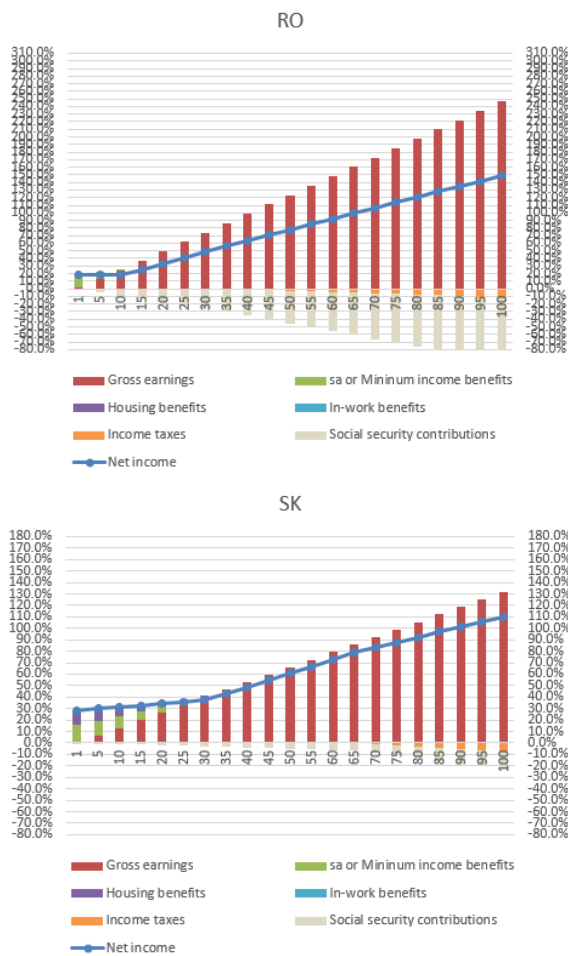












NB: Data for IT is for income year 2020 (instead of 2019). Housing costs are assumed to be 11 % instead of 11.3 % of average wage because of data availability.

Source: DG EMPL computation based on Eurostat and OECD data.