



EU NETWORK
OF NATIONAL
INDEPENDENT
EXPERTS ON
SOCIAL INCLUSION

MINIMUM INCOME SCHEMES ACROSS EU MEMBER STATES

HUGH FRAZER AND ERIC MARLIER

(SOCIAL INCLUSION POLICY AND PRACTICE, CEPS/INSTEAD)

OCTOBER 2009

SYNTHESIS REPORT



On behalf of the
European Commission
DG Employment, Social Affairs
and Equal Opportunities

Disclaimer: This report reflects the views of its authors and these are not necessarily those of either the European Commission or the Member States. The original language of the report is English.



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Overview based on the national reports
prepared by the EU Network of National
Independent Experts on Social Inclusion



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List of acronyms

ALMP	Active Labour Market Policies
EU	European Union
EU-10	The 10 “new” EU Member States, who joined the EU in May 2004 (CY, CZ, EE, HU, LT, LV, MT, PL, SI, SK)
EU-15	The 15 “old” EU Member States, before the May 2004 Enlargement (AT, BE, DE, DK, ES, FI, FR, EL, IE, IT, LU, NL, PT, SE, UK)
EU-25	The 25 EU Member States before the January 2007 enlargement
EU-27	All 27 EU Member States
EU-SILC	Community Statistics on Income and Living Conditions
ESF	European Social Fund
GMI	Guaranteed Minimum Income
RNRP	Implementation Report of the National Reform Programme for Growth and Jobs
JIM	Joint memorandum on social inclusion
MI	Minimum income
MIS	Minimum income scheme
MISSOC	Mutual Information System on Social Protection
NAP/inclusion	National Action Plan for social inclusion
NCT	Network Core Team
NGO	Non Governmental Organisation
NRP	National Reform Programmes for Growth and Jobs
NSDS	National Sustainable Development Strategy
NSRSPSI	National Strategy Report on Social Protection and Social Inclusion
OMC	Open Method of Coordination (for social protection and social inclusion)
PROGRESS	Community Programme for Employment and Social Solidarity
SDS	Sustainable Development Strategy
SME	Small and medium size enterprise
SPC	EU Social Protection Committee
SPSI	Social Protection and Social Inclusion
WWB	Work and Social Assistance Act (“Wet Werk en Bijstand”)

Countries' abbreviations

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom

Preface

On 3 October 2008, the European Commission adopted a Recommendation on the active inclusion of people excluded from the labour market¹, containing common principles and practical guidelines on a comprehensive strategy based on the integration of three policy pillars, namely: adequate income support, inclusive labour markets and access to quality services. This Recommendation was accompanied by Commission Communication COM(2008) 639 final².

This Community initiative had been announced in the Commission's Social Agenda for 2005-10. It was based on two public consultations, including two consultations ex-art. 138, launched by the Commission in 2006 and 2007, on the work of the Social Protection Committee, on Conclusions of the EU Council of Ministers (hereafter: "Council") and also on opinions of the Economic and Social Committee and of the Committee of the Regions³.

On 17 December 2008, the Council⁴ endorsed "the aim of designing and implementing comprehensive and integrated national strategies to promote the active inclusion of people excluded from the labour market, combining adequate income support, inclusive labour markets and access to quality services on the basis of the common principles and guidelines identified in the Commission's Recommendation".

On 6 May 2009, the European Parliament adopted a (non-legislative) Resolution on the active inclusion of people excluded from the labour market⁵. In this text, the Parliament welcomes the Commission's Recommendation and endorses the proposed common principles and practical guidelines on the three pillar active inclusion strategy. The Parliament points out in particular that "any active inclusion strategy has to be built on the principles of individual rights, respect for human dignity and non-discrimination, equality of opportunities and gender equality, on the promotion of labour market integration combined with full participation in society, and on the realisation of the principles of quality, adequacy and accessibility across all three pillars."

Monitoring and evaluating active inclusion strategies is the next key step. In the context of the current economic downturn, the importance of social safety nets is receiving more and more attention. For this reason, the first pillar of the active inclusion strategy, namely adequate income support, has been chosen as the starting point of this evaluation exercise. As a contribution to this evaluation and monitoring process, the Commission asked the members of the European

¹ See: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:307:0011:0014:EN:PDF>

² See: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0639:FIN:EN:PDF>

³ See the following Commission Communications: COM(2005) 33 on the *Social Agenda*; COM(2006) 44 concerning a *Consultation on action at EU level to promote the active inclusion of people furthest from the labour market*; COM(2007) 620 on *Modernising social protection for greater social justice and economic cohesion: Taking forward the active inclusion of people furthest from the labour market*.

See also: Presidency conclusions of Brussels European Council of 14 December 2007 and SPC orientation note on active inclusion of 3 July 2008; Council Conclusions of 5 December 2007, Document 16139/07; Opinion of the Committee of the Regions of 18 June 2008 on Active Inclusion (Doc. CdR 344/2007); Opinion of the Economic and Social Committee of 27 October 2007 on minimum social standards (Doc. CESE 892/2007).

For the European Commission's web-site address specifically devoted to active inclusion, see: http://ec.europa.eu/employment_social/spsi/active_inclusion_en.htm

⁴ Council Conclusions on *Common active inclusion principles to combat poverty more effectively* of 17 December 2008.

⁵ See: <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P6-TA-2009-0371>

Union (EU) Network of Independent Experts on Social Inclusion to prepare country reports assessing Member States' minimum income schemes.⁶

The minimum income strand of the Commission's active inclusion Recommendation takes as its starting point the Council Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems which called on Member States "to recognise the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity as part of a comprehensive and consistent drive to combat social exclusion".⁷ In its 2008 Recommendation on active inclusion, the Commission reiterates the same statement and declares that the Member States should "design and implement an integrated comprehensive strategy for the active inclusion of people excluded from the labour market combining adequate income support, inclusive labour markets and access to quality services". The Commission also recommends that "active inclusion policies should facilitate the integration into sustainable, quality employment of those who can work and provide resources which are sufficient to live in dignity, together with support for social participation, for those who cannot".

The experts' reports cover three elements: first, a brief panorama and description of the institutional design of minimum income schemes (MISs); secondly an assessment of MISs with respect to coverage and take-up, adequacy and effectiveness; and, thirdly the link between MISs and the other two pillars of the active inclusion strategy. This Synthesis Report, which has been prepared by the Network Core Team and has benefited from very helpful comments from the European Commission and Network's members, summarises the main findings from the experts' reports and draws out core lessons across the EU⁸. Due to space limitations and to avoid duplication with the reports from the Mutual Information System on Social Protection (MISSOC)⁹, this report does not go into great detail describing the typologies of MIS and all the minutiae of the different schemes across the twenty seven Member States. The details of each country's MIS can be read in the individual experts' country reports which are available from the *Peer Review on Social Protection and Social Inclusion and Assessment in Social Inclusion* web site (see above). The main emphasis in this synthesis is on assessing the key strengths and weaknesses of MISs across the Union and on their impact in reducing poverty and social exclusion. Then, in the light of this analysis, the report makes a series of suggestions for strengthening the future contribution of MISs to the active inclusion process and to ensuring that all people have the

⁶ The reports prepared by the independent experts are intended to support the Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission in its task of assessing independently the implementation of the Social Inclusion Process. The Network consists of independent experts from each of the 27 Member States as well as from Croatia, the Former Yugoslav Republic of Macedonia, Serbia and Turkey.

For more information on the Network members and reporting activities, see:

<http://www.peer-review-social-inclusion.eu/network-of-independent-experts>

And for more information on the overall project "Peer Review on Social Protection and Social Inclusion and Assessment in Social Inclusion", see: <http://www.peer-review-social-inclusion.eu>

⁷ The implementation of the 1992 Council Recommendation was followed up by the Commission in a Report to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions in 1999. See: [http://www.lex.unict.it/eurolabor/en/documentation/com/1998/com\(98\)-774en.pdf](http://www.lex.unict.it/eurolabor/en/documentation/com/1998/com(98)-774en.pdf). Several of the issues raised in this report were already evident in the 1999 report.

⁸ This Synthesis Report covers 26 out of 27 Member States as a final report for Luxembourg was not available when this report was finalised. However, Luxembourg is included in the Tables in the Synthesis Report's Annex on *Main characteristics of Minimum Income Schemes (MISs) and their relationship with national social protection systems*.

⁹ For more information on MISSOC see http://ec.europa.eu/employment_social/spsi/missoc_en.htm

resources necessary to lead a life that is compatible with human dignity in the Member State where they are living.

It should be noted that in this report, where the experience in one or more individual Member States is highlighted, this is either because the independent national experts from these countries have emphasised the particular point or because we think they represent a good illustration of the issue under discussion. Consequently, the fact that a particular country is mentioned does not necessarily mean that the point being made does not apply to other countries. In producing their reports experts cite various different sources and reports in support of their analysis. These have not been included in this report. Readers wishing to follow up the original source should go to the individual experts' reports.

1. Key findings, conclusions and suggestions

1.1 Summary

1.1.1 Panorama

Most Member States have some form of minimum income scheme(s) for people of working age which aim to ensure a minimum standard of living for individuals and their dependants when they have no other means of financial support. These vary widely in their coverage, comprehensiveness¹⁰ and effectiveness.

On the basis of the experts' reports one can loosely divide Member States' MISs into four broad groups.¹¹ First, there are those countries that have relatively simple and comprehensive schemes (AT, BE, CY, CZ, DE, DK, FI, NL, PT, RO, SI, SE) which are open to those with insufficient means to support themselves. Secondly, there are those countries (EE, HU, LT, LV, PL, SK) which, while having quite simple and non categorical schemes, have rather restricted eligibility and coverage of people in need of financial assistance due often to the low level at which the means test is set. Thirdly, there are those countries (ES, FR, IE, MT, UK) that have developed a complex network of different, often categorical, and sometimes overlapping schemes which have built up over time but in effect cover most of those in urgent need of support. Fourthly, there are those countries (BG, EL, IT) who have very limited, partial or piecemeal arrangements which are in effect restricted to quite narrow categories of people and do not cover many of those in most urgent need of income support.

Eligibility conditions vary significantly across countries. The most common eligibility conditions relate to age, residence, lack of financial resources and willingness to work. There is a clear trend in many Member States to tighten eligibility conditions and the groups that experts identify as often not being covered by MISs are homeless people, undocumented migrants, refugees and asylum seekers.

In many countries beneficiaries of MISs can also receive assistance for other needs. The most common highlighted by experts are housing costs, fuel costs, benefits in relation to children and school costs, additional financial assistance for those with special dietary needs. Many Member States also have a system of supplementary or emergency assistance.

One of the strongest trends across Member States is to link income payments with employment supports and activation measures. Making payments conditional on agreeing to some sort of insertion contract is becoming increasingly common. Several Member States also have arrangements to ease the transition into work by tapering out benefits and/or topping up benefits to lift people out of working poverty. There is a tendency in many countries to increase conditionality and introduce restrictions in the access to social benefits and services. The condition which has been most commonly reinforced is availability for work. Failure to satisfy this requirement can lead to sanctions.

¹⁰ Comprehensiveness refers to the extent to which schemes are non categorical and apply to the generality of the low income population.

¹¹ It should be noted that these are intended as only very broad groupings and the boundaries between them are fairly fluid. Table A1 (see annex) gives a more detailed and nuanced breakdown of the characteristics of different Member States' schemes as assessed by the national independent experts.

Typically Member States adjust benefits depending on the number of people affected in a household. Many countries vary the amounts paid to some groups depending on factors such as citizenship, previous labour market engagement, age and the reason behind the need for income support.

Generally, MISs are not time limited even if most Member States envisage them as being predominantly short-term support. However, a few countries take specific measures to limit time on such schemes.

Most MISs are national schemes with rules that apply throughout the country. There are however, a few Member States where there is some devolution of responsibility for policy decisions on the level and eligibility conditions for social assistance. Most Member States devolve responsibility for delivery to the local level and try to ensure effective coordination at this level. Indeed the experts' reports highlight a number of interesting examples of one stop shop type arrangements at local level. However, in some countries the picture is more complicated and they deliver MISs through a range of different agencies. Also, some experts highlight the lack of coordination of different MISs and the lack of capacity at local level.

Many experts note that the impact of the financial and economic crisis and the resulting rise in unemployment is beginning to have an impact on MISs. There are both increasing numbers seeking support and financial strains on national budgets in meeting the demands. Also the trend to link minimum income payments to measures to encourage return to work is being undermined by the current crisis. In some cases the crisis has led to the uprating of benefits being curtailed.

1.1.2 Assessment of minimum income schemes

Coverage of MISs is very varied across the EU and in some Member States there are still many people on very low incomes who do not have access to such schemes. While some countries have schemes which, at least in principle, ensure fairly comprehensive coverage of most of the low income population there are still a significant number of countries where coverage is very limited and partial. In some countries there are strong regional variations in coverage. Even in the more comprehensive schemes some groups recur regularly as having restricted access to MISs. In particular these include undocumented migrants and homeless people, refugees and asylum seekers. In several countries, experts note an increase in the numbers covered by MISs in recent years. However, several other experts report an opposite trend and highlight the tendency for numbers covered to decline in recent years. The declining trend tends to be due to two main reasons: increases in employment and tightening of eligibility criteria. However, many experts expect this downward trend to reverse given the economic and financial crisis and the rise in unemployment.

Several experts highlight the difficulty of establishing the extent of non-take-up of MISs. However many experts stress that non-take-up is a major problem. In countries where there are very complex MISs the risk of non-take-up can be particularly high. There are six main groups of reasons identified by the experts for non-take-up: a) complexity of the system leading to people being unfamiliar with the schemes, thinking they are not eligible, lacking information about their rights to social assistance in general or lacking information about what they are eligible for and how to apply or also lacking the skills to make claims; b) people subjectively thinking they do not need it or only need it for a short period and that the information and administrative costs are too high, thus making a rational cost-benefit calculation that the benefit is too low compared to time

and efforts involved in the application procedures; c) discretionary nature of benefits (i.e., benefits are not dependent on established criteria but rather on discretionary assessment); d) fear of being stigmatised or facing an unsympathetic bureaucracy; e) poor administration of schemes: lack of awareness about people's rights, failure to inform claimants correctly, failure or inconsistent application of legal regulations and refusal to award benefits; f) lack of sufficient social workers to support the application process.

The inadequacy of most Member States' levels of payment is a key concern of many experts. This bears out the Commission's 2008 Communication which emphasised that "in most Member States and for most family types, social assistance alone is not sufficient to lift beneficiaries out of poverty" (COM(2008) 639 final). Indeed, many Member States, but not all, fall far short of doing so. Thus it is not surprising that several experts (e.g. BG, EE, EL, HU, LT, LV, PL, PT, SI, SK) are extremely critical of the very inadequate level of payments in their countries. However, many experts also acknowledge that although MISs are insufficient to lift people out of poverty they do play a very important role in reducing the intensity of poverty. Nevertheless, the extent to which they do so varies very widely across countries. Also many experts note the tendency that over time minimum income payments have not kept up with increase in wages and thus there has been deterioration in their adequacy. This is often linked to the lack of clear systems and procedures for uprating the value of minimum income. Linked to the lack of a clear procedure is the lack of a clear rationale for establishing the level of MISs and inconsistencies in the amounts paid to different categories for little logical reason.

A key preoccupation for many countries is ensuring that MISs do not lead to disincentives to take up work. Indeed the overall impression is that many Member States prioritise this consideration over ensuring an adequate level of minimum income. However, in the countries with the most generous and effective MISs, there is also a clear recognition that they play a vital role in ensuring that people do not become so demoralised and excluded that they are incapable of participating in active inclusion measures and effectively seeking work. More generous social benefits are seen as a means to invest in people's capabilities and, thus, to re-integrate them in society as well as in the labour market. The extent of effectiveness in avoiding disincentives varies both by category and type of work. Of course in some countries there is no issue about disincentives not because MISs are effective but because they are so low. Some experts identify specific disincentives to take up work. These include: a) high benefit withdrawal rates can create significant disincentive effects in certain instances; b) the lack of a systematic process for monitoring and redressing the erosion over time in the value of the earnings disregards (i.e., the part of income that is not taken into account when assessing MIS applicants eligibility) and income eligibility thresholds that are attached to the various social welfare payments and govern people's eligibility for secondary benefits; c) where people on social welfare live on low incomes, they are vulnerable to debt and low self-esteem and they are less likely to have the motivation and means to progress their lives; d) the absence of taper adjustment regarding additional earned income, and regulations on eventual refund of benefits, which a former beneficiary may be obliged to pay, are likely to reduce work incentives considerably; e) the additional expenditure involved in employment, such as transport, eating out, child care etc.

1.1.3 Link between minimum income and other two pillars of active inclusion

Many experts comment relatively positively on links between minimum income recipients and activating measures such as support and training programmes; and several note recent or planned improvements. However, the effectiveness of the measures can vary quite widely and the extent to which they target those in the most difficult situations and are tailored to meet individual needs often needs further development. There is also often a lack of data on and evaluation of the effectiveness of measures. Although Member States generally stress the importance of activation measures to increase participation in work, several experts are critical of how well these target and support those dependent on MISs.¹²

A significant but smaller number of experts also comment relatively positively about the developing links between MISs and access to quality services. However, several experts are critical of the failure to sufficiently link access to services and MISs.

1.2 Main conclusions and suggestions

It is clear from the experts' reports that in many Member States MISs play an important role in reducing the depth of poverty and social exclusion. However, they work best when they are clearly a scheme of last resort operating within a comprehensive and effective social protection system. In spite of this, most countries' MISs fall short of allowing all people to live life with dignity and many fall far short. There is too often a lack of clarity as to what constitutes an adequate income and a lack of transparency and consistency in how levels of payments are established or updated. The extent of coverage needs to be improved in a significant number of countries. Non-take-up is a very widespread problem that needs to be addressed much more systematically. All of this suggests that there is a need for more regular and thorough monitoring of the effectiveness and impact of MISs.

Overall the experts' findings show that linkages between MISs and inclusive labour market policies are more often evident than specific linkages ensuring access to quality services. There is a general trend to strengthen activation measures but often these are not sufficiently targeted at or tailored to meet the needs of the most vulnerable groups. In a significant number of Member States, a comprehensive approach is still weak or simply missing and much more needs to be done to systematically work on the development of synergies between MISs and the other two strands of active inclusion.

In the light of these findings, it is clear that urgent action is required if the minimum income strand of the Commission's October 2008 Recommendation on active inclusion, the Council Conclusions of December 2008 and indeed the 1992 Council Recommendation are to become a reality. To address the issues identified in this analysis of Member States' minimum income schemes, we would make sixteen suggestions for action at the national and/or EU level (suggestions 1-9 and 13-17 stem from Chapter 3 of our report and suggestions 10-12 from Chapter 4):

¹² In this regard, it is interesting to note a very similar finding in the Commission's 1999 Report on the Implementation of the 1992 Recommendation (see above). In this Report, the Commission concluded that "Member States, to varying degrees, relate minimum incomes to measures aimed at increasing access to employment. The range of action this implies includes: mobilising employment services more strongly for the most disadvantaged people; socially useful activities; job creation in the non-profit sector; financial incentives to employers to hire minimum income recipients; and helping people to move into employment without loss of income. These measures still have a limited impact and should evolve to improve integration of minimum income recipients into the labour market."

Adequacy

1. In order to address the lack of clarity as to what constitutes an adequate minimum income to live life with dignity, it would be very helpful if the European Commission and Member States could agree on common criteria which would assist Member States in ensuring that their MISs meet the requirements of the 1992 EU Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems and of the 2008 European Commission Recommendation on the active inclusion of people excluded from the labour market. These common criteria could then provide the basis for reporting on and monitoring Member States' conformity with these Recommendations. In order to reinforce the importance of MISs within the Active Inclusion agenda, consideration might then be given to adopting an EU Framework Directive on the adequacy of minimum income schemes which would incorporate the agreed common criteria.
2. All Member States who have not already done so should urgently consider initiating a national debate to build a consensus on what level of minimum income is necessary in their country to enable all people to live in a manner compatible with human dignity and to lift them out of poverty and social exclusion. Such a debate could be informed by the common criteria proposed in our first suggestion.
3. As an interim step to ensure the adequacy of all MISs, all Member States could consider setting the goal that within a given timeframe (to be defined nationally) the combined effect of their minimum income provisions and other policy measures would be sufficient to lift all persons above the at-risk-of-poverty line of the country where they live (i.e. 60% of the median national household equivalised income). This would be in line with the aforementioned European Parliament Resolution of 6 May 2009, in which EU deputies stated that "the implementation of Recommendation 92/441/EEC needs to be improved in relation to minimum income and social transfers" and that "social assistance should provide an adequate minimum income for a dignified life, at least at a level which is above the "at risk of poverty" level and sufficient to lift people out of poverty". Progress towards this would need to be closely monitored and reported on by the Commission.

Uprating

4. All countries which do not already have a transparent and effective mechanism for uprating the value of their MISs on an annual basis should consider putting one in place. This mechanism ought to ensure that MISs keep in line both with inflation and rises in standards of living. The Commission could usefully support the exchange of learning and good practices across EU countries on effective and timely uprating mechanisms.

Coverage

5. Those Member States with very complex systems should consider simplifying these and developing more comprehensive systems.
6. Those countries whose MISs exclude significant groups experiencing poverty such as homeless people, refugees, asylum seekers, undocumented migrants and Roma should consider amending their schemes to better cover them.

Non-take-up

7. All countries which do not already do so should consider putting in place arrangements to monitor levels of non-take-up and the reasons for this; they should also consider introducing and monitoring the effectiveness of strategies to reduce non-take-up. In this regard, at the central level, administrative records could be used to detect households at risk of poverty, who may then be contacted proactively to check their potential entitlement to a minimum income benefit. In countries where administrations are weak, strategies could include initiatives to build capacity at the appropriate level (national and/or sub-national) to deliver minimum income schemes in an efficient and transparent manner. In addition, it will be important to ensure consistency in the interpretation of eligibility criteria so as to avoid discrimination and racism in the delivery of MISs.
8. In close cooperation with Member States, the Commission could usefully document and disseminate examples of successful strategies developed by Member States to increase take-up.

Disincentives

9. In close cooperation with Member States, the Commission could also document and disseminate Member States' good practices that address at the same the dual challenge of ensuring that: a) MISs are efficient in removing disincentives to take up work and in ensuring that those in work have incomes that lift them above poverty; and b) the adequacy of MISs is guaranteed. This is essential to avoid some people being left outside the system.

Linking the 3 pillars of "active inclusion"

10. Member States lagging behind should consider putting in place a more systematic approach to targeting active labour market measures at recipients of MISs and to giving them a right to participate in activation measures and to developing more personalised and comprehensive systems of support. The provision of quality supporting services should be considered at least as important as the use of financial incentives and sanctions.
11. Those Member States who are not already doing so should consider giving specific attention to ensuring that recipients of MISs have access to quality services; they should also consider best ways of closely monitoring progress in this area.
12. In close cooperation with Member States, the Commission could usefully document good examples of Member States linking MISs to active labour market measures and access to quality services. As part of this, it would be helpful to document examples of good practices in ensuring a coordinated approach at local level through initiatives such as "one stop shops". This is again an area where the exchange of learning and good practices ought to be promoted.

Monitoring and reporting

13. In the context of the Social OMC and the 2008 Recommendation on active inclusion, the Social Protection Committee should consider establishing a transparent system for regularly monitoring and reporting on the role played by MISs in ensuring that all citizens have the means and services necessary to live life with dignity.

14. To assist Member States and the Commission in their regular reporting, consideration should be given to enhancing the role of the Mutual Information System on Social Protection (MISSOC) in systematically documenting the development of MISs and providing comparative tables on the characteristics of MISs across the EU.
15. As part of monitoring the adequacy, coverage, effective delivery and take-up of their MISs and social assistance services, Member States who have not already done so could usefully establish procedures to involve the active participation of beneficiaries in the regular monitoring of these schemes.

Economic and financial crisis

16. In the light of the economic and financial crisis, the Commission and Member States should reflect on the best ways of ensuring that the key role being played by MISs, as both a means of protecting the most vulnerable and an important economic stabiliser during the crisis, is a key part of their monitoring and reporting on the crisis.

2. Panorama

2.1 General overview

The experts' reports show that, with the exception of Greece and Italy, all Member States have some form of minimum income scheme(s) at a national level. What these schemes have in common is that they are essentially income support schemes which provide a safety net for those not eligible for social insurance payments or those whose entitlement to these has expired. They are in effect last resort schemes, which are intended to prevent destitution and to ensure a minimum standard of living for individuals and their dependants when they have no other means of financial support.

Countries generally see MISs as being a short-term form of assistance. As the Finnish experts comment: "Social assistance is meant to be a short-term financial aid in order to assure subsistence when a person cannot live on his/her own earnings, entrepreneurial or other income or property". They are all means tested schemes and are non-contributory and thus funded through the tax system. They are mainly focused on people who are out of work but in some Member States they have also been extended to supplement in-work income support. For instance, the UK experts point out how "cash benefits and tax credits (i.e. Working Tax Credit, Housing Benefit and Council Tax Benefit, and Child Tax Credit), together with the statutory minimum wage, in principle provide a minimum income guarantee for some groups".

On the basis of the experts' reports one can loosely divide Member States' MISs into **four broad groups**:

- **First**, those countries that have relatively simple and comprehensive schemes (AT, BE, CY, CZ, DE, DK, FI, NL, PT, RO, SI, SE) which are open to all those with insufficient means to support themselves. For instance, in the Netherlands, the Work and Social Assistance Act (Wet werk en bijstand, WWB) grants a minimum income to anyone legally residing in the Netherlands who has insufficient means to support himself/herself. In some of these Member States (e.g. AT, DE) there are separate unemployment assistance and social assistance schemes whereas in others (e.g. PT, SE) there is just one core scheme.
- **Secondly**, those countries (EE, HU, LT, LV, PL, SK) which, while having quite simple and non categorical schemes, have rather restricted eligibility and coverage of people in need of financial assistance due often to the low level at which the means test is set. For instance, the Slovak expert comments that "since the 2003 social assistance reform, MIS consists of a basic benefit ("benefit in material need") and several allowances. There is no regular valorisation and adjustments of benefit and allowances are left to government discretion. Providing allowances depends on various conditions relating to involvement in the labour market activation programmes (activation allowance), ownership/tenant status and financial discipline in the case of paying housing costs (housing allowance), or claimant's ability to provide for themselves (protection allowance). Some of these conditions seem quite problematic for some vulnerable groups. This is true for the housing allowance that is infrequently received in segregated Roma communities."
- **Thirdly**, those Member States (ES, FR, IE, MT, UK) who have developed a complex network of different, often categorical, and sometimes overlapping schemes which have built up over time but in effect cover most of those in most urgent need of support. For

instance, the Irish expert points out that “minimum income provision in Ireland is complex, consisting of at least 20 different programmes for different, sometimes very small, population categories. As well as a general scheme of last resort – the Supplementary Welfare Allowance – particular sectors of the population for which targeted minimum income programmes exist include lone parents, those who are ill or disabled, the unemployed, carers, survivors and pensioners, low-paid workers. Hence, the minimum income provision in Ireland serves a diverse set of needs and also quite a diverse population. The trend in recent years has been towards rationalisation but categorical provision is still the norm.” The Maltese expert considers that “the notion of a Minimum Income Scheme does not exist as such, within the Maltese context, although there is a net of provisions that ensure that those who benefit from the existing entitlements are assured of a stable income that is slightly lower than the minimum wage. (...) The provisions for non-contributory benefits can, in the Maltese context, therefore be assumed to be the nearest to a minimum income scheme. The provisions are broadly divided into two: (a) Pensions and (b) Family Allowances & Maternity Benefits. The benefits can be grouped as follows: Sickness Assistance, Medical Aid, Milk Grant, Age Pension, Social Assistance, Carer's Pension, Allowance for Children with a Disability, Pension for Persons with a Disability, and Supplementary Allowance.”

- **Fourthly**, those Member States (BG, EL, IT) who have very limited, partial or piecemeal arrangements which are in effect restricted to quite narrow categories of people and do not cover many of those in urgent need of income support. For instance, the Greek expert points out that “Greece has neither adopted a legally binding definition of a minimum level of living for policy purposes, nor a universal MIS and as a result the existing social assistance system tends to compensate selective categories and does not constitute a safety net for all people in need. Moreover, the issue of combining active inclusion and minimum resources has not as yet led to specific policy action.” The Italian expert notes that “no coherent minimum income mechanisms have been created at a national level. Italy has however experimented with a similar instrument between 1999 and 2004, the RMI (Reddito Minimo di Inserimento, minimum income scheme for social insertion).” He notes that “innovative examples of local welfare systems exist, but they are often weakened by a fragmented legal framework for social protection and measures limited to specific social categories. Often, other groups, especially the most vulnerable, are excluded from an adequate support. Beyond its characteristic fragmentation, the current framework is rigid and incapable of addressing needs stemming from an evolving social context.”

It should be noted that the groups outlined above are rather broadly drawn and the boundaries between them are fairly fluid. It is thus important to look at these together with Table A1 (see Annex) which gives a more detailed overview of the principal characteristics of the different Member States' schemes as assessed by the independent national experts. It is, however, impossible to capture all the nuances of the country's scheme(s) in one table. Thus readers wanting to understand better the details and nuances of individual schemes can find more information in the full text of this report and in the experts' individual country reports (see Preface for web address).

It is also important to emphasise that the role played by MISs in preventing poverty and social exclusion and promoting active inclusion in a given country needs to be considered within the broader context of the development of the social protection system(s) in that country. From the experts' reports, it seems that MISs work best when they are clearly a scheme of last resort

operating within a comprehensive and effective social protection system. While the experts' reports did not examine in detail the overall social protection context in their countries, Table A2 (also in Annex) summarises their overall impression of the state of development of MISs and the broader social protection systems in their countries.

Several countries are in the process of making significant changes to their MISs (e.g. AT, ES, FR, HU). For instance, in France a new MIS, the *Revenu de Solidarité Active* (RSA – Active Solidarity Income) has been created by law but has not yet been applied even though its architecture has now been clearly defined.

2.2 Eligibility conditions

Eligibility conditions vary significantly from Member State to Member State. The most common eligibility conditions relate to age, residence, lack of financial resources and willingness to work. For instance, in Denmark the experts note that “access to MISs is based on a residency principle. To be entitled to MIS support, social circumstances of the recipient must have undergone significant change leading to deprivation of the means of self-support. Moreover, recipients can not have access to any other sources of income or private means of support. If a person or his or her spouse has assets or income of a certain magnitude, MISs are not available. There are also more specific conditions which apply specifically to different MI categories: *Cash benefit*: Danish citizens are entitled to cash benefit if their social circumstances have undergone significant change and they have resided in Denmark for 7 out of the last 8 years. *Initial benefit*: Is given to immigrants if they have lived in Denmark less than 7 out of the last 8 years. This also applies for Danish citizens who have lived in a non-EU-country for more than 1 of the last 8 years. *Introductory benefit* is given to immigrants who are not from the Nordic Countries or EU e.g. refugees. In general, cash benefit provides a higher level of support than initial and introductory benefit.”

There is a clear trend in many Member States to tighten eligibility conditions. For instance, the Swedish expert notes that “the reformation of the Social Service Act in 1998 meant that stricter eligibility criteria were implemented. Unemployed recipients have to actively search for a job or/and participate in assigned labour market programmes. Recipients also have to realise assets before they are eligible to receive social assistance.” The Bulgarian experts comment that “the current government conducts one of the sternest policies so far in imposing sanctions and restrictions in the social assistance system”.

Two groups that experts comment are often not MISs beneficiaries are refugees and asylum seekers. The reasons underlying this may differ and are not always due to non-eligibility. So, for example, in the case of homelessness in Portugal the expert states that the lack of reciprocity is not linked to the fact that homeless people do not fulfil eligibility conditions – which they usually do – but rather to the narrow and erroneous interpretation of the legislation by many social workers regarding for instance the issue of activation which is understood in a narrow sense. She also emphasises other situations where there may be illegality issues involved which do not actually comply with the criteria set in the MIS and therefore people get uncovered.

2.3 Link with other social benefits

In many countries (e.g. BE, CY, IE, FI, PL, RO, LT, UK), beneficiaries of MISs can also receive assistance for other needs. The most common highlighted by experts are housing costs, fuel costs, benefits in relation to children and school costs, and additional financial assistance for those with special dietary needs.

One example is Cyprus where the experts point out that the public assistance benefit is cumulated with other benefits, in the sense that recipients are entitled to additional benefits to satisfy their 'special needs' such as: care, personal effects, housing, training, heating etc. Public assistance recipients also have access to benefits addressing vulnerable groups to which they belong, including subsidised electricity and heating, Easter benefit, home improvement aid, subsidies for offering care to elderly or disabled family members and subsidised vacations. Similarly, the Romanian expert underlines that as well as providing help with heating costs "eligibility for the MIG (Minimum Income Guarantee) also provides for health insurance (with no obligation to pay the health insurance contribution) which represents an important benefit for many beneficiaries. MIG beneficiaries are also entitled to additional forms of assistance such as emergency relief (funded from the central budget), funeral aid (funded from local budget) and may also benefit from in kind support and existing social services (i.e. social canteens although these are almost absent in rural areas and some urban communities do not benefit from this type of service either). On the other hand, unbalanced distribution of existing services with overcrowding of social assistance services in the urban areas creates a source of exclusion for the rural communities."

Many Member States also have a system of supplementary or emergency assistance. For instance, in Poland the expert notes that minimum income payment may be supplemented with "a one-time optional benefit, having as its aim to cover the cost of "indispensable existential needs" (costs of food, medicines and treatment, fuel for heating, rudimentary household utensils, minor house repairs, and also cost of funeral). Such a benefit may also be awarded as support of efforts to attain self-sufficiency (cost of commuting, school textbooks and other learning aids)."

2.4 Transitions into employment

One of the strongest trends across Member States is to link payments with employment supports and activation measures. For instance, in France the expert concludes that "the RSA (Active Solidarity Income) will replace the API (Allocation Parent Isolé, single-parent benefit) and RMI (Revenu Minimum d'Insertion, i.e. minimum income scheme for social insertion). The RSA will generalise and extend the incentive system already set up under the RMI but, above all, it will significantly reorient this minimum income benefit towards assistance in finding work." In Germany, "the schemes *Unemployment Pay II* (Arbeitslosengeld II) and *Social Money* (Sozialgeld) (...) are not only covering the largest group of people (around 5 million persons), but are also designed to connect cash benefits and social services by preparing employable people for a professional life and helping them to find a job. Furthermore, they give advice on how to claim for services such as childcare, psychosocial support, debt counselling etc.". In Belgium, the experts emphasise that "the Public Centres for Social Welfare offer their clients various employment programmes (...)". In Poland, the expert notes that a *social contract* is "the means for transition into employment of persons encompassed by social assistance. Social contract was introduced in 2004 as a formal tool. Its objective is to define the way of working jointly to address the problems faced by a person or family falling into a difficult life situation. A social worker can conclude a social contract with such a person or family to bolster an active stance and self

reliance in life, in work career or to counter social exclusion." In Lithuania, the experts note that "unemployed people are enforced to participate in active labour market measures. Otherwise they lose their status of unemployed and right to social assistance benefit (SAB). After receiving a job people lose SAB if their income per family member exceeds state-supported income." In Portugal, the Social Insertion Income is composed of both "a monetary component (the cash benefit) which is a universalistic right, transitory and not dependent on discretionary assessment but on established criteria" and "an insertion programme which is based on a contract between the beneficiaries and the programme whereby both parts agree to develop a set of actions and tasks, necessary for the gradual social, labour and community integration of the family". The rules that apply to the 'right to social integration' in Belgium are very similar.

It should be noted that access to (mainstream) active labour market programmes is not always guaranteed to MIS recipients. In Belgium, for example, the experts emphasise that "the anti-poverty movement struggled for many years until this right was granted as a general rule". And they add: "In many countries, public employment services tend to target programmes at the insured unemployed, so as to maximise the (visible) return in terms of reduced unemployment rolls.¹³ Under these circumstances, the uninsured unemployed (including MISs recipients) are *de facto* excluded from services and suffer from displacement effects instead of benefiting from additional support. Therefore, strict anti-discrimination (or indeed, positive action) rules should be introduced in all Member States' employment policies."¹⁴

In Austria, the expert points out that under the proposed reformed system of minimum income "recipients would have access to all measures of active labour market policies provided by the Austrian Employment Service (*Österreichisches Arbeitsmarktservice, AMS*), which would mean a considerable improvement compared to the current situation". In Hungary, the expert points out that "the modification of the social law from 2009 on makes it its highlighted priority objective that persons capable of working who are permanently unemployed and receive social allowance should participate to a greater extent than before in some form of public work to enable them to obtain regular labour income and get closer to the world of labour". In the Netherlands, the experts emphasise that "people who receive social assistance are required to accept generally acceptable labour. (...) In 2005, almost half of the social assistance population (146,000) was participating in a reintegration programme. From the beginning of the 1990s the emphasis was increasingly shifted towards getting people on benefits back to work and on full (financial) responsibility of the municipalities."

Several Member States have arrangements to ease the transition into work by tapering out benefits and/or topping up benefits to lift people out of working poverty. For instance, in Ireland the expert points out that "the transition into employment is dealt with by a range of methods, especially the tapering of benefits. There is also a top up benefit for those in employment – the Family Income Supplement". In the Czech Republic, the expert notes that "some positive work-incentives have been implemented: only 70 % of income from work and 80 % of income from sickness and unemployment benefits is taken into account when testing means of subsistence – this increases social assistance benefits available to those who are working". In Austria, the expert reports that in the reformed MIS "recipients of means tested minimum income are intended to have the opportunity to realise additional income from gainful employment without deduction

¹³ MISs recipients are not always included in the unemployment statistics and, when they are, their insertion often remains problematic.

¹⁴ For an analysis of this process, see: Nicaise I., Groenez S., Adelman L., Roberts S. and Middleton S. (2004), *Gaps, traps and springboards in European minimum income systems*, Leuven: HIVA / Loughborough: CRSP (2 vol.), 134 & 268p.

after 6 months of means tested minimum income for a maximum period of 18 months, which way the income from gainful employment may amount to a level between 7 and 17% of the equalisation supplement reference rate for singles”.

Various experts stress that the transition from welfare to work does not solely depend on financial incentives. Indeed, it is not at all exceptional that MISs’ recipients take up voluntary work as a way of escaping poverty and social exclusion. The services that can help strengthen their employability are as important to MISs recipients as financial incentives - such services include: training, guidance, job coaching, child care, etc. We come back to these issues in Sections 3.3 and 4.2.

2.5 Variations in amounts

Typically countries adjust benefits depending on the number of people affected in a household. For instance, the Polish expert notes that “the benefit is paid out either to a person (if it is a one person household), or to a family (if it is a household of several persons). In the latter case, the benefit amount is adjusted for the number of persons making up the household.”

Many Member States vary the amounts paid to some groups. For instance, the Danish experts highlight that “the size of the benefit is decided by various factors, such as: the length of an individual’s Danish citizenship; the length of the period receiving income support; the extent of an individual’s previous labour market engagement; the reason behind the need for income support. Claimants of regular cash benefit may thus receive a significantly lower level of support than the regular cash benefit under certain circumstances. Married couples (older than 25 years), for example, where one or both spouses have received benefits during six consecutive months, will get a reduction in their monthly allowance. Moreover, if a married couple has not worked for at least 300 hours during the last two years, the monthly allowance to one of the spouses will be withdrawn.” The Dutch experts highlight that “the WWB applies national standards for persons aged between 18 and 21, between 21 and 65 and for persons aged 65 or over. The act makes a distinction between: married couples, registered partners or unmarried partners cohabiting; single parents (caring for one or more children under the age of 18); and single persons. Each group has a separate standard amount. For the group aged between 21 and 65 the amount of social assistance benefits is related to the minimum wage. For the other age groups other mechanisms are applied.” In Finland the experts note that “the lower benefits level is meant to entice young people to find an active role in society”. Similarly the Czech expert notes a shifting of responsibility towards the family and that this has “in practice excluded many of the youth from benefit entitlements”.

2.6 Time limits

Generally MISs are not time limited even if most Member States envisage them as being predominantly short-term supports. However, a few countries (e.g. BG, LV, SK) take specific measures to try and limit time on such schemes. For instance, in Bulgaria the experts highlight that “over the past four years the period of payment of social benefits was reduced three times. Since the middle of 2006, the government has introduced a time limit for the reception of monthly social benefits – first setting the limit at 18 months, then reducing it to 12 months and finally – to 6 months since the beginning of 2009. After a recipient gets monthly social benefits for the maximum period, the benefits are discontinued for 1 year and then resumed for a new period.” In Latvia, “the GMI (Guaranteed Minimum Income) benefit is granted for the duration of the period

while the family (person) has been granted the status of a poor family (person), but for a period not exceeding three months. After the expiry of the said period, the family (person) may repeatedly submit an application for the benefit. Until the 1st July 2009, the total period of the payment of the GMI benefit could not exceed nine months in a calendar year. Amendments were made in the Law on Social Services and Social Assistance and these restrictions have now been abolished." In Lithuania the experts point out that Social Assistance Benefit (SAB) "is granted for three months. However, after this period the person can repeat application and receive SAB for the next three months and so on. If the conditions of the applicant have changed, he or she has to inform the administration of the local authority responsible for SAB payment. In the case of fulfilling conditionality rules, SAB may be paid indefinitely."

2.7 Conditionality

There is a tendency in many Member States to increase conditionality. For instance, the Polish expert notes that there are "growing restrictions and conditionality in the access to social benefits and services. However, this is not accompanied by the adequate development of the positive integration measures." The Slovenian experts comment that "changes that were made to the Social Security Act in 2006 restricted the access to financial social assistance. A broad list of conditionally rules was introduced and criteria for the entitlements are more restrictive."

The most common condition is availability for work and failure to satisfy this requirement can lead to sanctions. For instance, the Finnish experts point out that "if an applicant of social assistance has refused an offered job or other labour policy measure without justified reason, the basic amount may be reduced by 20%. If the applicant turns down jobs and labour market measures repeatedly, the basic amount may be reduced by a total of 40%. The reduced basic amount is valid for a maximum period of two months at a time." In Poland, the expert highlights that "refusal to sign a social contract, failure to keep its provisions, unjustified refusal to take-up employment or other gainful work or unjustified refusal to submit to detoxification treatment by an addicted person may constitute grounds to refuse benefits, reverse an earlier decision awarding benefits or stop cash payments from social assistance". In Estonia, the expert notes that "local governments have a right not to designate subsistence benefits to people of working age or capable of working who are not studying or working and who have repeatedly and for no good reason refused to accept suitable positions". In Romania, the expert highlights that "household members that are able to work are required to undertake community work if they are not otherwise employed. For such work, the number of working hours is proportional to the amount of the received social security benefit and the hourly pay is equivalent to the ratio between the national minimum wage and the monthly average number of 170 working hours. The community work is not to exceed 72 hours."

2.8 Governance arrangements

2.8.1 Policy decisions

Most schemes are national schemes with rules that apply throughout the country. For instance, in Belgium the 'right to social integration', formalised by the law of 26 May 2002, covers all aspects from eligibility conditions to governance arrangements. In the Netherlands, the national authorities are responsible for, among other things, general benefit levels, implementation of national integration policies and WWB execution. In the UK, the social assistance scheme is a

national scheme and all the rules apply to every country in the UK. In Sweden, the MIS is regulated nationally via the Social service Act.

There are, however, a few Member States where there is some devolution of responsibility for policy decisions at the local level and eligibility conditions for social assistance. For instance, in Hungary, the expert notes that “the local governments have freedom to define some of the eligibility criteria themselves”.

2.8.2 Delivery mechanisms

The most common approach in Member States is to devolve responsibility for delivery and coordination to the local level. For instance, in Belgium “efficient delivery is guaranteed by the municipal Public Centres for Social Welfare”. In the Netherlands (Box 2.1), the experts note that “the national authorities have assigned the implementation of the WWB and related regulations to local authorities, the municipalities, on the basis of shared administration. Municipality responsibility includes the provision of tailor-made benefits, support for people entitled to a supplementary benefit and support for people trying to regain their financial independence. The way a municipality provides support is laid down in regulations with accompanying policy rules.”

Box 2.1: Local coordination in the Netherlands

In the Netherlands Locations for Work and Income (Locaties voor Werk en Inkomen) have been established to take care of intake and provide (initial) job seeking assistance for both the WWB and the Unemployment Insurance Act (WW). At these locations, the municipalities work together with the public employment service UWV-WERKbedrijf.

Dutch National Experts

In Sweden, the MIS is administered by the municipalities. In Poland, “most benefits for poor households are paid out through local social assistance centres (one stop shop), with the exception of unemployment allowances, which are paid by local labour offices”. In Portugal, great emphasis is placed on creating partnership structures to deliver the minimum income scheme (Box 2.2).

Box 2.2: Coordinated local delivery in Portugal

At the local level, Local Insertion Units have been created by law and they have a territorial scope that corresponds to the *concelhos* (local territorial units at the municipal level). These local level horizontal coordination structures comprise representatives of the four areas essential to the integration process: Social Security (which is responsible for administering the measure and granting the benefits and which also includes the social (or welfare) action services which are essential for the social integration of beneficiaries), Education, Health and Employment. Local Units may also include the local authorities, private welfare institutions, employers and trade union groups as well as other non-profit-making organisations.

Portuguese National Experts

However, in some countries the picture is more complicated and they deliver minimum schemes through a range of different agencies. For instance, in the UK administrative responsibilities differ between different benefits. Also, some experts highlight problems with delivery such as a lack of coordination and lack of capacity at local level. A key problem that can arise is the lack of coordination of different MISs. For example, the Czech expert notes that “coordination of MISs for population in active age is not much strong: unemployment benefits and state social support benefits are provided by local offices subordinated to the Ministry of Labour and Social Affairs while social assistance is in the competence of municipalities with little cooperation between them in information exchange and solution of the individual cases”.

2.9 Growing impact of the economic and financial crisis

Many experts note that the impact of the financial and economic crisis and the resulting rise in unemployment is beginning to have an impact on MISs. Typically, the Spanish expert points out that “the current crisis has posed a real challenge to the social protection system. In 2009, mechanisms for the protection of the unemployed have been strengthened”. For instance, he highlights that “the obligatory waiting period of one month before moving from the contributory to the social security unemployment assistance benefit has been suppressed with a view to linking both systems and avoiding the lack of social protection.”

Several experts point out that the emphasis on linking minimum income benefits to return to work is being undermined by the current crisis. For instance, the French expert comments that “whereas the RSA was intended to be a strong means of encouraging the return to work, the financial crisis followed by the economic and industrial crisis that is developing risk relegating the RSA to the more traditional function of more recent benefits, namely cushioning society in a period of crisis with an increase in the number of job seekers. The present crisis is strengthening in a period when the reforms undertaken are not yet able to show their effects (this is the case, for example, of the restructuring of the public employment service) or when they risk being counter-cyclic (as could be the case in the short term for the RSA).”

In some cases, the crisis has led to uprating of benefits being curtailed. For instance, the Slovenian experts comment that the legislation “states that the amount shall be adjusted once a year, in January, on the basis of the consumer price index for the period of the 12 months before the month of adjustment and shall begin to be applied on the first day of the month following the adjustment”. However, they add, “in 2009 the minister responsible for social security decided that the adjustment will not be done, because of the cuts in public expenditure due to the economic crisis”.

3. Assessment of minimum income schemes

3.1 Coverage and take-up

3.1.1 Coverage

Very uneven coverage

In order to discuss clearly in this report why people are or are not recipients of MIS it is important to be clear what is meant by key concepts: coverage, eligibility and take up. Thus we set out below (Box 3.1) an explanation of how these terms are defined and used in this report.

Box 3.1: Definition and explanation of coverage, eligibility and take-up

In this report, the concept of coverage, eligibility/entitlement and take-up are to be understood as follows:

Coverage: people are “covered” by one or several minimum income schemes if: a) they meet all the eligibility criteria and are therefore entitled to receive the benefit(s); or b) they meet all the eligibility criteria except the low income/assets criterion, which means that when the risk materialises (income/assets beneath a certain threshold), all things remaining constant, they will be entitled to receive the benefit(s).

So, for instance, if an eligibility criterion is to be say at least 25 years old, then people aged less than 25 years are not covered by the MIS whatever their level of income because they do not meet the age criterion.

If a person is entitled, he/she can either take up the benefit (he/she is then a MISs beneficiary; this is a “take-up” situation) or not take up the benefit (“non-take-up” situation). It is also possible that a person takes up the benefit although he/she is not eligible or even not covered (this could be because of fraud or incorrect application of the scheme).

In terms of social protection, the objective for MISs should be high/ comprehensive coverage, full take-up and low reciprocity.¹⁵

It is clear from the experts’ reports that the eligibility conditions in relation to minimum income schemes vary greatly across the EU thus leading to significant variation in the extent to which people on very low incomes are covered by such schemes (i.e. the coverage of schemes). In some countries there are still many people on very low incomes who do not have access to such schemes. While some countries have schemes which, at least in principle, ensure fairly comprehensive coverage of most of the low income population there are still a significant number of countries where coverage is very limited and partial. Some experts, for example the Austrian, Hungarian and Spanish, also point out that there are or until very recently have been strong regional variations in coverage.

As a general rule, it would seem that countries which have fairly comprehensive MISs such as Austria, Belgium, Denmark, Germany, Finland and Sweden tend to achieve more comprehensive coverage of people in need of assistance. For instance, in Belgium “the right to social integration

¹⁵ As rightly emphasised by Ides Nicaise (Belgian independent expert) in a communication to the Network Core Team (NCT), this definition is analogous to social security rights where poverty is regarded as a risk that can be “covered” a priori. Hence, someone can be covered but not be eligible because he/she is not poor.

In their paper on *Gaps, traps and springboards in European minimum income systems* (Op. Cit.), Nicaise et al adopt a very different approach to the issue. They define coverage in terms of “de facto effectiveness” - i.e., the proportion of the poor who effectively draw a benefit, where the “poor” population is defined as those people living below the social assistance threshold. In other words, according to this definition a person can be “covered” only if he/ she is poor.

So, in the definition suggested by Nicaise et al “non-coverage” encompasses non-take-up, non-eligibility, denial of rights, sanctions / suspensions, seizures, etc.

is quasi universal". The Finnish experts comment that "the overall coverage of MISs is generally not considered to be a major problem in Finland; basically, all adults are covered by one type of minimum income scheme or another". In Sweden, the expert notes that "the stock of social assistance recipients is to a large degree made up of young people and of immigrants. Around fifty per cent of all recipients are born outside Sweden. These figures are mirroring the labour market situation among young Swedes (youth unemployment is comparatively high in Sweden) and among immigrants." In Sweden, it is also striking that "a large share, about one third, of the recipients of social assistance have health problems that often include mental and emotional conditions"; however, as the current crisis increases the demands for social assistance (already evident) the expert considers that this will change. The UK experts consider that, compared to other EU countries, a "possible advantage of the UK scheme is that it is comprehensive, and our poverty gaps are comparatively lower than our poverty rates".

Several experts (e.g. BG, EL, IT, LT, LV, MT, PL) point to very restrictive and inadequate coverage of people on low incomes. The Polish national expert notes that the coverage of the MIS is still rather limited as a result of the low level of the social assistance poverty line. Likewise, the Lithuanian experts note that "despite the fact that Lithuanian MISs are improving and are targeting vulnerable population better, our calculations based on the 2007 Household Budget Survey data show that still 53% of the low income population were not covered by the safety nets primarily because of too strict eligibility conditions." The Bulgarian experts point out that "conditionalities and means tests, defining eligibility for monthly social benefits and the other types of benefits for income support, are complicated and restrictive". Indeed, they point out that these have become worse as "social benefits are not bound by social work, they are so low and unevenly distributed and the timeline does not have any significance for reducing poverty and social exclusion". And they give an example, based on national expenditure for social benefits, which "shows that a family or person living in poverty was supported by the government with the amount of 291.89 BGN (149 EURO) for the whole year". The Czech expert is somewhat more positive, noting that "the social assistance system does not exclude any potentially needy group of population from entitlements"; however, he goes on to point out that "the number of benefit recipients is not very high (about 3% of population)".

Some groups are often excluded

Even in the more comprehensive schemes some groups recur regularly as having restricted access to MISs. In Belgium, for instance, the experts note that undocumented migrants, homeless or roofless have no or very restricted eligibility. Similarly, in Portugal the experts highlight that "the present most important gap in the Social Insertion Income (SII) coverage is related to the fact that the scheme does not cover homeless people". The Spanish expert concludes that "an overall assessment of the Spanish income guarantee system leads to the conclusion that Spain boasts a broad network of protective mechanisms with some holes in it (some of the homeless, those without official papers, first-time job seekers) and low protective intensity". Similarly, although Denmark has a fairly comprehensive scheme the national experts conclude that "immigrants constitute a large at-risk-of-poverty group while at the same time being put in a very bad position in the social assistance system given the present differentiation scheme. Also, young people (<25 years old) are highly overrepresented in the low income group and also put in a relatively unfavourable position in the scheme. With respect to these particular groups, one may conclude that the MIS to a certain degree is differentiated in a way that leads to a low level of adequacy of coverage."

3.1.2 Benefit reciprocity

Increase in beneficiaries in some countries

In several countries, experts note an increase in the numbers benefiting from MISs in recent years. This can be either because of a growth in the number of people who meet the existing eligibility criteria or because the criteria have been modified to increase the number of people who are eligible or, possibly, because the non-take-up of benefits by people who are eligible for assistance has declined. For instance, the Austrian expert notes that “the number of beneficiaries of non-stationary or extramural social assistance (*offene Sozialhilfe*) has grown twofold between 1996 and 2006”. The UK experts note the high numbers using minimum income and conclude that the scheme in the UK is much less residual than Beveridge ever envisaged in the 1940s.

Reduction in numbers in other countries

Several experts report a contrary trend and highlight the tendency for numbers covered to decline in recent years. This tends to be for two main reasons: increases in employment and tightening of eligibility criteria. However, some experts expect this downward trend to reverse given the economic and financial crisis and the rise in unemployment.

The Netherlands provide a good example of this downward trend in a country with a fairly well developed minimum income provision. The experts note that “since the 1990s the number of people on social assistance benefits has been declining as a result of a rising demand of the labour market and to a small extent as a result of the WWB (Work and Social Assistance Act). However, the outflow to paid employment is only a small proportion of the total outflow. (...) Other factors also play a role in the decrease in volume of social assistance recipients. Frequently mentioned factors are:

- A changing social climate regarding the idea of receiving social assistance: it was regarded less and less as an established right and more and more as a final safety net for households that are temporarily unable to earn their own income. This was consolidated in the WWB.
- An increasingly stricter policy and its implementation as regard fraud; increasingly stringent checks are being carried out on violations of the rules, while improper use of benefits is increasingly being regarded as fraud. This also was consolidated in the WWB.
- An increased financial interest of municipalities in the second half of the 1990s in reducing the social assistance population. Full financial interest of municipalities with the introduction of the WWB in 2004.
- The creation of subsidised employment also contributed to a decrease of the number of social assistance claimants in the 1990s.”

Rather similarly, the Irish expert reports “a small 6% fall between 1997 and 2007 in numbers but significant change in composition with an increase in lone parents, carers and disability and a decrease in unemployment assistance”. However, she predicts that with the rapid rise in unemployment this downward trend is likely to change.

Slovenia, Slovakia and Latvia are good examples of how the trend in some countries to tighten eligibility criteria and increase conditionality can lead to more limited coverage. As already mentioned in Section 2.7, the Slovenian experts note that “changes that were made to the Social

Security Act in 2006 restricted the access to financial social assistance. A broad list of conditionally rules was introduced and criteria for the entitlements are more restrictive." However, they also note that the decline in numbers is partly due to growth in employment. In Slovakia, the expert notes "a shift toward more tightened rules and emphasis on conditionality. (...) Continuing decline in reciprocity since 2004 can be attributed to two different trends: decline in unemployment and decline in coverage due to stricter eligibility rules." The Latvian expert notes that "there is a decreasing trend in the percentage of GMI recipients – in 2008, the proportion of recipients of GMI benefit was 1.2% of total population while the proportion of poor persons was 5.3% of total population".

The Estonian and Lithuanian are examples of a decrease in the numbers benefiting despite some improvements in their MISs. The Estonian expert points out that between 2001 and 2008, "the number of families who received a subsistence benefit, the number of applications and the funds on benefit payments decreased notwithstanding the fact that the subsistence level was raised, mainly due to the growth in average income of families as a result of fast economic growth, growth of employment and reduction of unemployment". The Lithuanian experts note that in spite of improvements "the role of MISs is decreasing; in 1996 it was up to 4.2% of social benefits grouped by function and in 2006 – 1.6%".

3.1.3 Non-take-up

Unsurprisingly, many experts highlight the difficulty of establishing the extent of non-take-up due to a lack of information. For instance, the Slovak expert notes that "there has never been research launched on the extent of non-take-up in the Slovak Republic – not to speak about research on reasons why people might have for not enforcing their claims. There was not enough political interest in such kind of information and academic research and NGO activities did not invest in questioning non-problematic perception of minimum income scheme functioning." However, this is not always the case. The UK provides a positive example of efforts to monitor non-take-up. The experts highlight that an official report on take-up is produced annually by the Department for Work and Pensions. It is based on a combination of survey analysis and administrative statistics.

Yet, many experts (e.g. AT, BE, CZ, DE, FI, HU, IE, NL, PL, PT, UK) consider that non-take-up, while often insufficiently documented, is a major problem requiring urgent attention. This is often the case even in countries with more comprehensive schemes. For instance, research in Belgium for the period 1993-1997 showed that the proportion of individuals falling through the safety net (3.9%) was larger than the proportion of individuals rescued by the safety net (1.2%) and that the issue of 'under-protection' in minimum income systems is similar in the neighbouring countries. Similarly, the Finnish experts note that "researchers are critical on the limited take-up of social assistance, which is the last resort benefit in the Finnish system. The limited take-up has been found to be substantial. Based on data collected in 2005, it has been evaluated that only half of the eligible population actually take up social assistance." Likewise, the Austrian expert notes that "the rate of non-take-up appears to be substantial". The German experts comment that "although MISs are entitled to all people, there are still a remarkable number of individuals, who do not apply for benefits. (...) The estimated number of unreported cases amounts between 25 and 40 percent".

In countries where there are very complex schemes, the risk of non-take-up can be particularly high. For instance, the Irish expert points out that "given that the minimum income programmes

are all based on a means-test, the possibility of non-take-up is relatively high. However, very little information exists on non-take-up.” In Portugal, the experts point out that the take-up rate of the SII scheme, given by the ratio between the number of SII beneficiaries formally registered and the number of SII beneficiaries obtained in the simulation, ranges from 70 to 75%, which means that there is still a significant gap between those effectively benefiting from the SII programme and those who should benefit from it. The UK experts note that benefits that are delivered on a test of means are less likely to be taken up (claimed) than those delivered on the basis of contributions. The Polish expert reports that “studies complain that the take-up of the social assistance benefits is low. While the coverage of social protection is high in Poland, this is driven largely by pensions. In contrast, the coverage of benefits targeted to low income households is small.”

Experts often point out that the risks of non-take-up are greater for some groups. For instance, in Belgium they are greater for women, couples, individuals with an education level below the second stage of secondary and the 16-24 age cohort. In the UK, the experts note that eligible non-recipients of Income Support tend to: be slightly older, be more likely to be owners, have other income, be living with others, live in London and be living below the poverty threshold. In some cases, for example Austria, the risks of non-take-up can also vary significantly by region.

However, in a few countries with comprehensive schemes, such as Denmark and Sweden, non-take-up is not seen as a major issue. The Danish experts comment that “as the system is universal, there are no reasons for non-take-up. Rather, as being discussed in the previous section, there are reasons for non-take-up at a certain level of income support, i.e. all individuals are eligible to “initial help” but not to “cash benefit”.

Reasons for non-take-up

The experts provide a range of reasons for non-take-up. These include (see also Box 3.2):

- Complexity of the system (AT, DE, EL, HU, IE, FI) leading to people being unfamiliar with the schemes, thinking they are not eligible, lacking information about their rights to social assistance in general or lacking information about what they are eligible for and how to apply or also lacking the skills to make claims (CZ, PL, NL, RO).
- People subjectively thinking they do not need it or only need it for a short period (NL) and that the information and administrative costs are too high, thus making a rational cost-benefit calculation that the benefit is too low compared to time and efforts involved in the application procedures (AT, NL, RO).
- Discretionary nature of benefits (PL).
- Fear of being stigmatised or facing an unsympathetic bureaucracy (AT, DE, FI, PL).
- Poor administration of schemes: lack of awareness about people’s rights, failure to inform claimants correctly, failure or inconsistent application of legal regulations and refusal to award benefits (AT, PL, RO).
- Lack of sufficient social workers to support the application process (FI).

Box 3.2: Research on the reasons for non-take-up in Belgium

The reasons for non-take-up have been the subject of some research in Belgium¹⁶. First of all, non-take-up is caused not only by institutional obstacles but also barriers of a more individual nature. In fact, every applicant has to overcome a (chronological) number of barriers before effectively benefiting from the “right to social integration” (RSI). A first cluster of barriers can be summarised as the perceived need for financial help. The applicant first needs to identify his own situation as one of need and of instability. Knowledge forms a second barrier. This knowledge does not only comprise basic knowledge about the MISs and the existence of Public Centres for Social Welfare (PCSWs), but also the identification of the personal situation as one that gives right to the RSI or “right to social assistance” (RSA). Since every PCSW has the obligation to inform potential beneficiaries, the first problem should be limited. Furthermore, resistance can also be barrier. The resistance can be against the social system as a whole, or the PCSW in particular. A fourth barrier can be the perceived uselessness of financial assistance. In fact, the applicant should consider his application advantageous for his social and financial situation. Finally, we can also identify psycho-social barriers such as feelings of shame or pride. In general, non-take-up originates from a complex combination of different barriers. Intervening is a very complex task as well. Some grassroots organisations therefore call for the automatic assignment of social rights such as the RSI. Lack of information is a major problem leading to the non-take-up of social rights. The law of 2002 has tried to tackle this deficiency by mandating the PCSWs with an extensive information duty. Since there is no recent research about non-take-up of social rights, we cannot assess the effectiveness of this measure.

Depending on the legislation and local practice, applicants may also be denied the right to a MI benefit if they do not fulfil the legal conditions (e.g. regarding age, citizenship or legal residence), or due to sanctions or duration limits. Even when a benefit is granted, it may not effectively (in full) reach the “beneficiary” due to obligatory debt reimbursement.

Belgian National Experts

Strategies for increasing take-up

A considerable challenge for many Member States is thus to develop more effective strategies for increasing take-up. The Lithuanian experts highlight this well when they say that “it seems that one of the challenges for social policy is to find a concrete solution to address the contradiction between ‘how to assist those who are unable to ask for assistance’ and ‘how to empower those who do not have enough knowledge, competencies and power to represent their own interests’”. However, the need for more effort is not always recognised by countries.

A number of strategies for increasing take-up are highlighted by experts. For instance, in Ireland the expert notes that “a range of the usual strategies are utilised on a periodic basis. These focus especially on information campaigns through a variety of media and formats, using both remote and face-to-face methods.” In the Netherlands, the experts comment that “to reduce non-take-up of income provisions, municipalities promote the use of existing income facilities. This is for instance done by writing directly to people entitled to these facilities, by publishing articles in local newspapers and by giving information at locations such as playgrounds and schools. Furthermore, the procedures to apply for support will be simplified and by means of data-linking non-applicants will be identified.” In Austria, the expert considers that the current plans to introduce a reform-package of a means tested minimum income scheme “would, apart from other goals, also pursue the goal of reducing the non-take-up of minimum income, especially by

¹⁶ See, for instance: Groenez S. and Nicaise I. (2002), *Traps and springboards in European minimum income systems – the Belgian case*, HIVA-K.U.Leuven, Leuven, 138 p. See also: Steenssens K., Degavre F., Demeyer B. and Van Regenmortel T. (2007), *Leven (z)onder leefloon. Deel 1. Onderbescherming onderzocht*, HIVA-K.U.Leuven, Leuven, 194 p.

abolishing most forms of refunding by family members and the (former) recipients themselves and by making respective rules more standardised and transparent”.

3.2 The adequacy of minimum income schemes and their effectiveness in combating poverty

3.2.1 *Lack of clarity about what is an adequate minimum income*

Assessing the adequacy and effectiveness of minimum income schemes is a complex area. The issue of what constitutes adequacy is often disputed and the effectiveness of MISs can be judged in several ways. This point is well made by the Danish experts who comment that “the effectiveness of MISs in terms of poverty reduction may refer to short-term and long-term, dynamic, effects. The former refers to the immediate improvement of the low income groups financial standing resulting from the guaranteed minimum income in relation to some sort of poverty line whereas the latter refers to the potential effects in terms of increased capacity to maintain self-support stemming partly and indirectly from the financial support. The financial support may also contribute to prevent illegal ways of self-support and to enhance the social integration by the means of preserving the recipient’s health status, ability to work, social network and self-esteem.” The difficulty of defining adequacy is also alluded to by the German experts. They point out that “the highest German court, the Federal Constitutional Court, has defined the subsistence level with reference to article 1 of the Basic Law as a “socio-cultural subsistence level”. It should allow an active participation in the social life. However, its height and its amount are controversial in the public discussion.”

One starting point for assessing the adequacy of Member States’ MISs is the 1992 Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems and the 2008 European Commission’s Recommendation on active inclusion (see Preface, above). The latter recommends that adequate income support should “recognise the individual’s basic right to resources and social assistance sufficient to lead a life that is compatible with human dignity as part of a comprehensive, consistent drive to combat social exclusion”. But the reality is that most Member States do not emphasise the issue of adequacy and have not defined what, in their own national or regional contexts, an adequate minimum income would need to be if it is to ensure a person’s right to live in dignity. Indeed, the clear conclusion to be drawn from most experts’ reports is that the level of minimum income falls short and often very far short of an adequate income. However, some Member States are clearer on this issue.

3.2.2 *Limited evidence*

A significant problem in assessing the adequacy of minimum income is the lack of the necessary data or analysis in many Member States. For instance, the Portuguese experts point out that “there is little work developed in order to assess the Social Insertion Income (SII) scheme. No relevant reports or studies specifically carried out to assess the coverage and take-up of the SII can be found.” Likewise, the Austrian expert highlights the limited data available and the Slovenian experts comment that “there are almost no references to minimum income in the scientific literature (research, expertise, articles, books)”. Similarly, the Danish experts note that “in Denmark there is no officially approved poverty threshold. This means that there are no official studies which assess the impact of different MISs in relation to clearly defined poverty-lines.” In Cyprus, the experts point out that “there are no recent studies about public assistance recipients

in Cyprus". However, a new study is now under way by the Social Welfare Services (SWS) titled 'Detecting and Recording the Persons Served by the SWS and Facing High Risk of Poverty and Social Exclusion'. Likewise, the Maltese expert concludes that "what is however most direly needed in the area of social security in Malta is research. At present decision making is based practically on the social sensibilities of politicians and policy makers and not on hard data especially collected to assess what the situation is. The personnel directly responsible for the implementation of the various schemes do not have any idea on the extent of non-take-up of the various schemes."

3.2.3 *Limited impact in reducing poverty levels*

In the absence of clear definitions of adequacy and what is necessary to ensure the right to live in dignity, looking at the levels of income against poverty lines, and in particular the EU definition of the national at-risk-of poverty line¹⁷, provides some basis for assessment as was also suggested by the European Parliament (see above: Resolution of 6 May 2009). The experts' reports largely bear out the 2008 Commission's Communication which emphasises that "in most Member States and for most family types, social assistance alone is not sufficient to lift beneficiaries out of poverty." (COM(2008) 639 final)¹⁸

In line with the Commission analysis, even though some of them question the statistical evidence on which it is based, the experts' reports suggest that the countries which come closest to achieving the at-risk-of-poverty threshold with their MISs are Ireland, Sweden, The Netherlands and Denmark. So, the Irish expert points out that "Ireland comes very close to the poverty threshold for single-person households in receipt of social assistance and also those of lone parents". She considers that payments are generally well targeted and have a significant poverty-reduction effect. The Swedish expert notes that "estimations indicate that the social assistance norm guarantees an income that is approximately equivalent to 60 per cent of the median income". The Dutch experts point out that "together with supplementary income facilities the WWB is sufficient enough to prevent people from poverty". But they go on to say that "yet this is mere theory; in practice, the non-use of income provisions is considerable and therefore reduces households on social assistance to poverty. However, there is no data available on the percentage of households on social assistance who live in poverty." The Danish experts conclude that "Denmark appears to perform relatively well both in terms of level of expenditure and the impact of social transfers on the at-risk-of-poverty rate. However, focusing on national data, a recent study shows that in the period 2001-2005 the share of cash benefit recipients living with an income below 50 percent of the median income has been increasing."

¹⁷ For each country, the agreed EU definition sets the poverty line at 60% of the country's national median equivalised household income.

¹⁸ The Commission analysis is based on a statistic which is part of the portfolio of "context statistics" (as opposed to "indicators" *per se*) that have been adopted at EU level for monitoring the Social OMC. For each country and for 3 different types of household (one-person households, single-parents with 2 children and couples with 2 children), this statistic provides the ratio between the net income of social assistance recipients (drawn from simulations based on model families) and the national poverty threshold (calculated from the "Community Statistics on Income and Living Conditions (EU-SILC)" micro-data). Even though this statistic provides useful information on the adequacy of MISs in the different Member States, this information needs to be interpreted cautiously in view of the very wide range of possible benefit entitlements than can be available in some countries. A clear illustration of this is provided for most OECD countries in: Immervoll, H. (forthcoming), "Minimum income benefits in OECD countries. Policies and challenges", in: D. J. Besharov (ed.), *Poverty, Social Exclusion, and Income Dispersion: Measurement, Explanations and Policy Responses*. Oxford University Press.

The majority of experts stress that MISs do not lift people above the at-risk-of poverty line and many fall very far short of doing so. Most would probably agree with the Austrian expert's assessment that "the effect of social assistance on at-risk-of-poverty rates is not very high for most groups. This appears to be rather logical, given the fact that social assistance (even together with housing benefits) is often below the level of the poverty risk threshold." Likewise, the Belgian experts point out that "in general, the living wage (i.e. the social integration benefit) is insufficient to lift a household's means above the poverty risk threshold. The degree of inadequacy, however, depends on the composition of the household. The gap between living wage and the poverty risk threshold is smaller for singles and lone parents, whereas couples with or without children receive a living wage that is considerably less than the threshold." Similarly, the German experts consider that "a large number of subgroups of people are supported on a level that is below the official at-risk-of-poverty threshold". They point out that a consequence of this is that "an increasing number of welfare institutions have been established, which provide people in need with food and clothes free of charge or for extremely low prices. Meanwhile more than 800 of "Tafeln" ("food banks") have been established in Germany."

Several experts (e.g. BG, EE, EL, HU, LT, LV, PL, SI, SK) are very negative about the adequacy of MISs and their impact on reducing poverty. For instance, the Polish expert comments that "even though various studies indicate that the social benefits in Poland impact on the redistribution of income from the rich to the poor, the effectiveness of social assistance transfers on poverty reduction is very low. The minimum income scheme has only a marginal role in average income of households with incomes below the social assistance poverty line. This situation could have improved somewhat since 2003 as a result of the social assistance reform from 2004." However, she considers that falls in poverty levels between 2004 and 2007 largely resulted from an improvement of the labour market situation, with sweeping falls in unemployment rather than the impact of social assistance. The Bulgarian experts emphasise the low eligibility ceiling and the low benefit amount and they conclude that "generally, the amounts of social assistance in Bulgaria are extremely low and insufficient to cover the basic needs of people". The Hungarian expert emphasises the low eligibility ceiling and the low benefit amount and concludes that "the current system provides a minimal, at most survival level for the recipients, but its volume is not enough for full participation in society, and the system is not an unconditional safety net, but conditional on several criteria". In Lithuania, the experts consider that "the comparison of effectiveness and usefulness of the social assistance benefits gives enough argument to claim that social benefits are too little and the development of safety net is too slow". In Estonia, the expert concludes that "the subsistence benefit rate is unreasonably low; it should at least cover the minimum food basket cost. Also the decline in the real purchasing power of the subsistence level due to the consumer price index growth should be taken into account: for example, compared to 2001, the purchasing power of the subsistence level dropped by 20% in 2007 (CPI in 2001 = 100)." In Slovenia, the experts stress that "minimum income schemes cannot contribute to reducing poverty because they are much lower than the at-risk-of-poverty threshold. Net minimum wage is also lower than at-risk-of-poverty threshold." In Greece, the expert comments that "the existing social assistance system tends to compensate selective categories and does not constitute a safety net for all people in need".

3.2.4 Often important impact on reducing intensity of poverty

Although most experts do not consider that MISs are sufficient to lift people out of poverty, several of them (e.g. CY, CZ, DK, EE, ES, FI, FR, MT, PL, PT, RO) stress that MISs do play a very important role in reducing the intensity of poverty. Indeed, many experts would concur with the Belgian experts who, when pointing out that “in strictly financial terms, the living wage (the social integration benefit) is insufficient to lift people above the poverty-threshold”, go on to say that “the living wage as such is rather an instrument to alleviate poverty than a genuine solution”. Rather similarly, the French expert concludes that “the means-tested benefits certainly do not enable recipients to rise above the poverty line but reduce the severity of poverty and prevent its spreading”. In Cyprus, the experts, while highlighting that the level is not sufficient to lift people above the poverty risk line, conclude that “the public assistance system is effective, in the sense that it reduces the depth of poverty among recipients in disadvantaged groups, such as families with non-working heads, especially those under 45, with dependent children, women, and low educated. It does this, however, in an inefficient manner, as it also benefits households with income well above the poverty line, such as families with working heads, especially males in the younger and older age groups, and highly educated persons.” The Maltese expert concludes that “transfer payments make an enormous difference in the lives of recipients”.

Clearly, the extent to which MISs alleviate poverty varies very widely across Member States. In Portugal (see also Box 3.3), the experts highlight recent research showing that the poverty intensity is reduced by over 18% in general and 24% in the particular case of children. They say that “according to the simulation, the level of efficiency of SII in poverty reduction is of 94%. This means that over 90% of the transfers with SII effectively contribute to reduce the ‘Resources deficit’ of the poor population.” In the Czech Republic, “the effectiveness of social assistance scheme (especially when combined with other income schemes) in eliminating poverty risks seems to be excellent in the case of the working population. On the other hand, it is less satisfactory for some specific groups: poverty risks are highly concentrated among the unemployed, incomplete families or families with many children.” The Estonian expert reports that “a study of the effect of financial benefits to families on the mitigation of poverty in Estonia suggested that the allowance to families with many children has the highest take-up rates among policy measures and it is also the most cost-effective in mitigating poverty, followed by supplementary tax-free income for the third child, child benefits and parental benefit”. In Spain, the expert highlights that “social benefits reduce severe poverty markedly (87%) but moderate poverty much less so (47%). Various factors are involved in impeding the efficacy of such benefits: their diversity, their greater protection for the non-active or pensioners, and their inability to keep up with the pace of growth in such indicators as average income or per capita disposable income.” The Romanian expert emphasises that “the minimum income guarantee clearly contributed to an increase in the population income having a direct impact on decreasing poverty and especially extreme poverty (...) though, in some cases additional forms of social assistance provided to MIG beneficiaries (i.e. allowances for families and families with children) leads to a decrease in the number of MIG beneficiaries without getting them out of poverty. (...) The guaranteed minimum income offers a minimal safety net for families that are truly dependant on this allowance, as a typical beneficiary family would still live in poverty.” The Finnish experts note that although minimum income benefit does not reach the poorest households very well, it does alleviate poverty quite effectively especially among the poorest households.

Box 3.3: Importance of minimum income to beneficiaries in Portugal

Research in Portugal shows that beneficiaries of the GMI refer to the scheme as a support to the daily life survival and to the related expenses such as food, furniture, school and other expenses with dependent children and housing related expenses (house rent, water, electricity, gas, groceries, etc.). In fact, recent research has shown that the word most used by GMI beneficiaries when they refer to the minimum income support is “help”, which means that this scheme allows those individuals to reduce the day-by-day tension, providing some stability and more prosperity which the scarce and uncertain work related remunerations do not provide themselves.

Portuguese National Experts

3.2.5 Payment levels falling behind

Several experts (e.g. BE, BG, CZ, DK, FI, FR, RO, SK) note that over time minimum income payments have not kept up with increase in wages and thus there has been a deterioration in the adequacy of the minimum income in relation to the standard of living of the population as a whole. For instance, in Denmark the experts point out that “the income transfers seem to have followed the development of the general price level . . . (and) . . . the real value of transfer incomes has increased by approximately 4 percent during the period (2000-2008)”. However, they add, that increases in food and housing prices may have in fact worsened the position of people on low incomes. Also in Denmark, “in relation to regular wage earners whose incomes have increased by 16 per cent in real value during the same period, the recipient of transfer incomes has become poorer”. In Finland, the experts note that “on the lower end of the scale, the position of low-income households has weakened both relatively and absolutely after the early 1990s. First due to social security cuts, and later because of modest development of income transfers as compared to the labour incomes.” The situation is similar in Belgium, where experts indicate that between 1992 and 2005 “Belgium has not succeeded in linking the living wage to the mean standard of living. Admittedly, a reduction of the gap can be observed in recent years.” In the UK, the experts comment that unemployment benefit over time “has increased in real value by 75% between 1948 and 2007. But in comparison with average earnings, it has more or less halved in value. Also in real terms it has not maintained its value since the mid 1980s. The reason for looking at the value of unemployment benefit is that it has been very similar to the level of social assistance (income based JSA) over time, and is now an identical amount.” They go on to show that income support for a single person aged over 25, since 1989, “has maintained its value in comparison with prices but fallen in value compared with average earnings. In contrast, families with children and pensioners on social assistance have both had substantial improvements in their real incomes since 1988/9 and have also maintained their incomes in comparison with average earnings.”

The Czech expert points out that “while unemployment benefits have continuously improved for those with sufficient employment record since the late nineties, the generosity of replacement rates of social assistance benefits as well as other income tested benefits has continuously dropped when their revaluation lagged behind increases in earnings”. The French expert notes that “the means-tested benefits were already far from the poverty line or median and mean incomes at the time they were introduced but the situation has deteriorated with time”. In the case of Slovakia, the expert comments that “the relationship between the amount of the minimum income benefit and that of the subsistence minimum has been weakened step by step. Nowadays, the subsistence minimum is still used as a criterion for assessing entitlement of claimants for minimum income benefit but without any relation to the amount of this benefit (despite the fact that it is legally defined as socially accepted minimum income level).” The

Romanian expert points out that “compared to the evolution of the national minimum gross wage and taking into consideration the purchasing power of the poor, the MIG amount registered a gradual deterioration from 45% of the gross minimum wage in 2002 down to 18.5% by the end of 2008”.

In recent years, Cyprus and Ireland appear to have been exceptions. In Cyprus, the experts point out that “the increase in public assistance benefit has outpaced inflation by a large margin in the last two years”. The Irish expert points out that “the rates of benefits are regularly up-dated and have over the last ten years, during Ireland’s boom period, been increased considerably above the rate of inflation and average increases in the industrial wage”.

3.2.6 Lack of transparent uprating mechanisms

Several experts highlight the lack of clear systems and procedures for uprating the value of minimum income payments. The Polish expert points to “the insufficiently frequent verification of that level, resulting in weaker income support for the poor in situations of rapidly increasing food prices and cost of housing, something that is taking place since 2008”. However, in Belgium the experts note that “through regular indexation of wages and benefits, the government tries to avoid a decrease in purchasing power of the living wage (i.e. the social integration benefit)”. However, even here they point out that “over the last few years, inflation has nullified the effects of indexation of the living wage”.

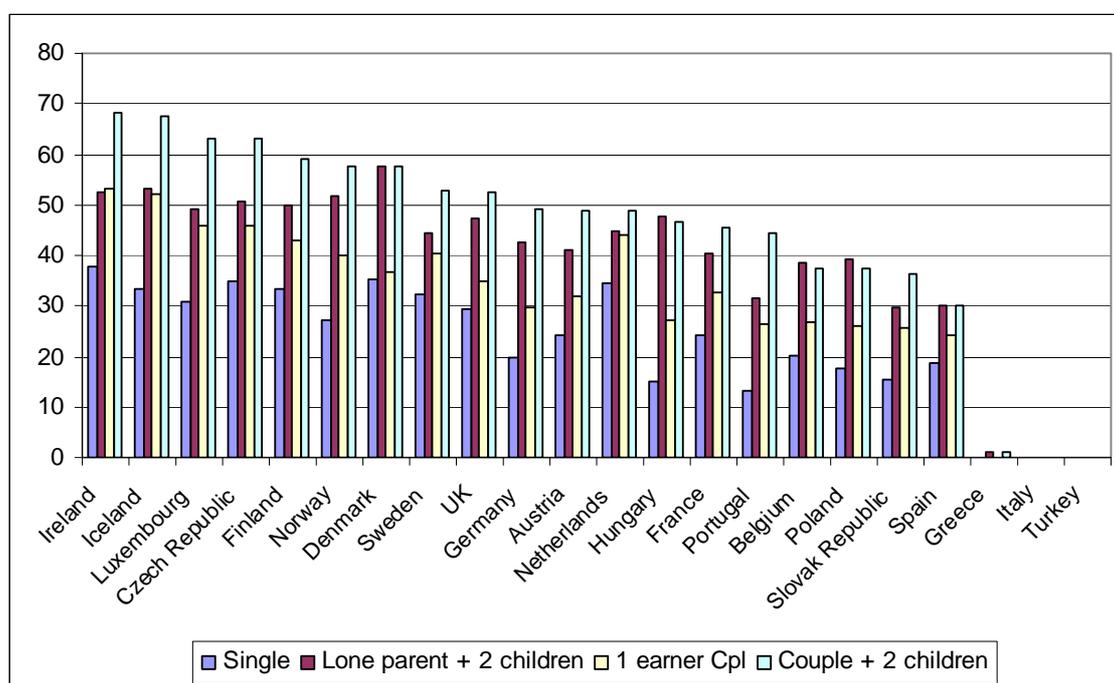
Linked to the lack of a clear procedure is the lack of a clear rationale for establishing a rate and inconsistencies in the amounts paid to different categories for little logical reason. For instance, the UK experts point out that: “by far the most important criticism of the UK scheme concerns the issue of adequacy. (...) The differentials between different rates of benefit, the result of the uprating formulae (...), are now very difficult to justify.” The Polish expert highlights the wide differentiations in cost of living between regions. Thus, she suggests that “the rationale of defining a single poverty line amount applicable to the entire country can be questioned. The differences are particularly marked in large cities, which have considerably higher costs of living than rural areas.” She also notes “the failure to reflect in poverty line (and following that, in benefit amounts) the differences in cost of living depending on the household structure, to mention but households with disabled family members or with children of different ages. As a result, the needs of those specific groups of beneficiaries are partially neglected by establishing the amount of the income support as well as by coverage.” Similarly, the Latvian expert emphasises that “the GMI level is not tied to any indicators characterising incomes – neither the minimum wages established in the country nor the average household budget incomes nor the subsistence minimum calculated by the Central Bureau of Statistics. The GMI level is an indicator established through compromise and negotiations between the Ministry of Welfare and representatives of local governments, and thus it does not characterise the living standards of the population but describes the position of local governments and their possibilities to provide support to the poorest population. As a result, the support provided by the current GMI benefit amount cannot serve as an effective instrument for poverty reduction; at best it maintains benefit recipients at the same income level, preventing an even further deterioration of the living standards of these groups of the population.” She also points out the problems with decentralisation of responsibility to the local level as “municipalities with the most funds are not necessarily the ones whose residents are most in need of social assistance”.

3.2.7 Cross-country comparisons

An in-depth EU comparative study of the generosity and adequacy of social assistance schemes in the different Member States is beyond the scope of this report. However, we present below some useful statistical evidence on this for a number of countries. This evidence is extracted from the UK experts' report.

Figures 3.1a and 3.1b are extracted from the UK independent experts' report showing the value of social assistance as a proportion of the average wage; they are based on the *OECD Benefits and Wages* data base.¹⁹ The results show a very wide disparity between the countries covered and also between different family types within countries. The OECD assumes a rent of 20% of the average wage which is probably too high for most social assistance recipients so Figure 3.1a includes the housing benefit paid on this rent and Figure 3.1b excludes it. Among the EU countries covered by this analysis, the most generous social assistance levels including housing benefit are in Ireland and the Czech Republic. In contrast, Italy has no nationally-organised MIS (see Annex to present report and Italian expert's report for more detailed information) and Greece has very low payments only for the families with children. The rank order of the countries changes somewhat if housing benefit is excluded.

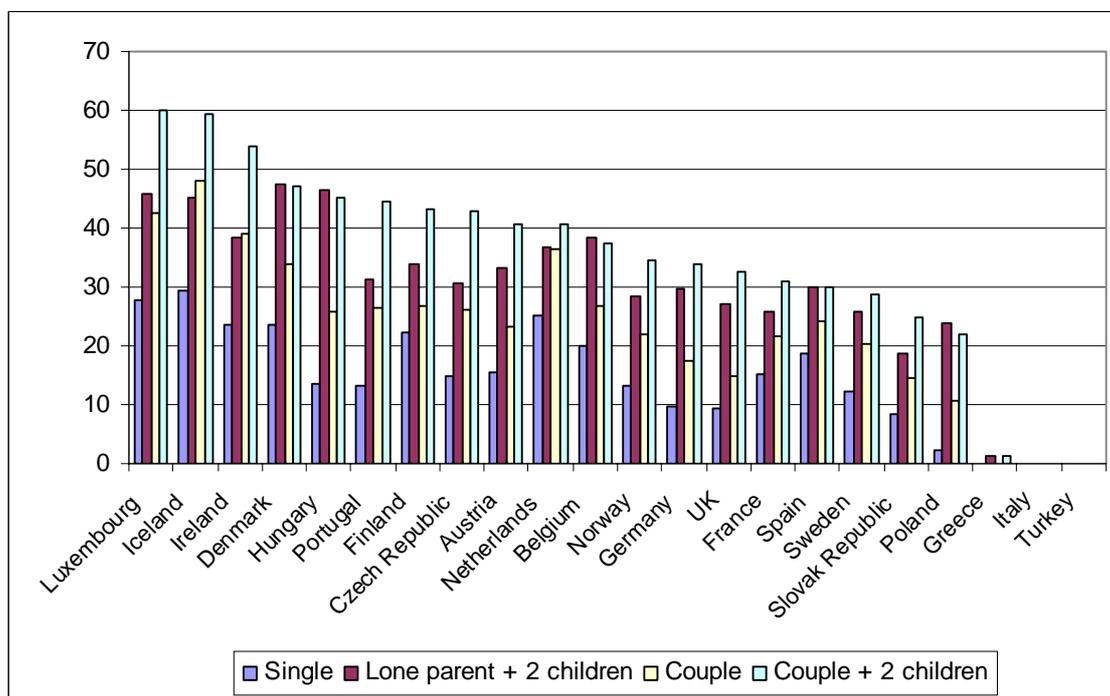
Figure 3.1a: Net incomes on social assistance (including housing benefit) as a % of the average wage - 2007



Source: UK independent experts' analysis of OECD *Benefits and Wages* data base

¹⁹ We would like to thank Jonathan Brasdhw (UK independent expert) for providing us with Figures 3.1a, 3.1b, 3.2 and 3.3 and also for very useful related discussions.

Figure 3.1b: Net incomes on social assistance (excluding housing benefit) as a % of the average wage - 2007



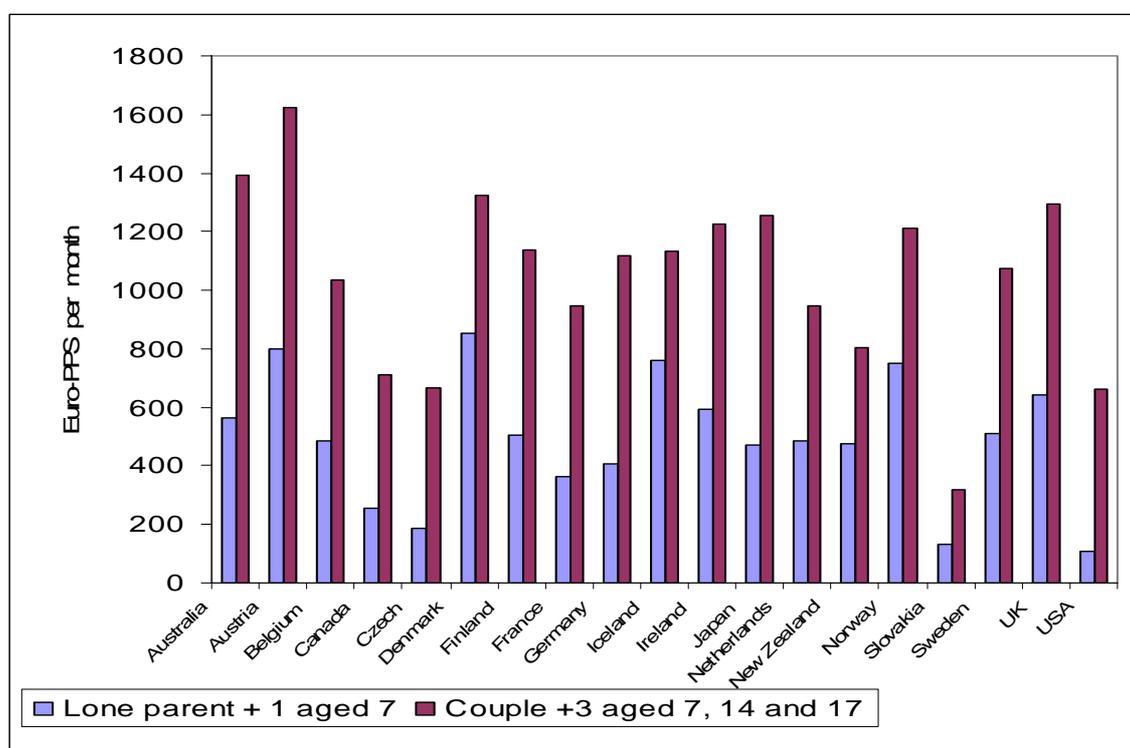
Source: UK independent experts' analysis of OECD *Benefits and Wages* data base

Figure 3.2 replicates and updates the comparative analysis of social assistance by Bradshaw and Finch²⁰. It provides the monthly amount of out of work social assistance for two family types, as at January 2004.²¹ This again shows very wide variations for the EU countries included, with the Czech Republic and Slovakia at the bottom and Austria and Denmark at the top.

²⁰ Bradshaw, J. and Finch, N. (2002) *A Comparison of Child Benefit Packages in 22 Countries*, Department for Work and Pensions Research Report No.174, Leeds: Corporate Document Services.

²¹ Bradshaw, J. (2006) 'Child benefit packages in fifteen countries', in Lewis, J. (ed.), *Children, Changing Families and Welfare States*, Cheltenham: Edward Elgar.

Figure 3.2: Monthly amount of out of work social assistance for two family types (in Euro-PPS, 2004)



Source: Bradshaw, 2006 and <http://www.york.ac.uk/inst/spru/research/nordic/childbenefit2004%2018%20countries.pdf>

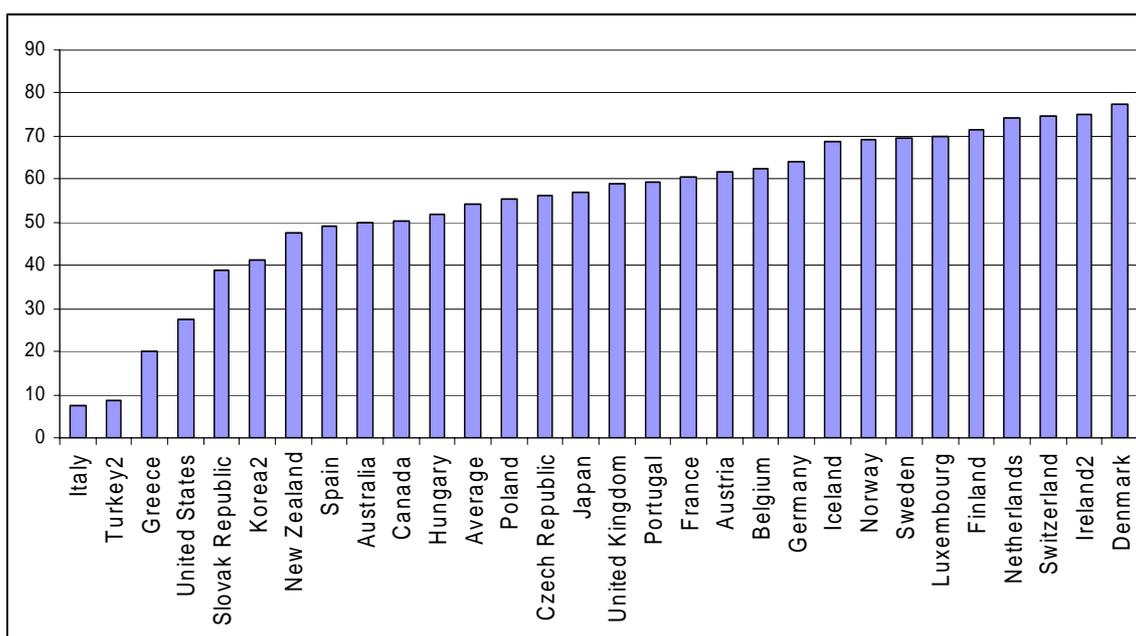
3.3 Effectiveness in ensuring incentives to work

A key preoccupation for many countries is ensuring that minimum schemes do not lead to disincentives to take up work. Indeed, the overall impression is that many Member States prioritise this consideration over ensuring an adequate level of minimum income. However, in the countries with the most generous and effective MISs, there is also a clear recognition that these play a vital role in ensuring that people do not become so demoralised and excluded that they are incapable of participating in active inclusion measures and effectively seeking work. The Irish expert comments that in Ireland “the extent to which the combination of wages, tax exemptions and in-work and family benefits ensures that people moving into employment are also moving out of poverty is a big issue and was taken up by both the 2008 National Reform Programme (NRP) and National Strategy Report on Social Protection and Social Inclusion (NSRSPSI)”. The Belgian experts explain that “the social security system accounts for previous income while the social assistance system only tries to provide everybody with a vital minimum. Social assistance benefits are thus lower, and kept lower, than social security benefits. In turn, social assistance and social security benefits are kept lower than wages from work. Since 1999, policy has been characterised by the making-work-pay paradigm. In order to encourage people to integrate into the labour market, there has been an explicit strategy to raise minimum wages rather than reducing benefits. However, this approach also involves that, until minimum wages have reached a sufficient level, social benefits are not allowed to rise accordingly, so as to raise the gap between earnings and benefits.”

The extent of effectiveness in avoiding disincentives varies both by category and type of work. In Belgium, for example, the experts point out that “firstly, it appears that the incentive to work is stronger for singles and single-earners without children and weaker for single parents. Single-earners with children take an intermediate position. Secondly, we can observe that the transition to full-time employment is more rewarding than the transition to part-time employment.” In Estonia, the expert comments that “while the subsistence benefits guarantee a minimum income for households, it simultaneously creates disincentives to work for low-wage earners in certain household types”.

The UK experts point out that “there is no doubt that one of the constraints on the adequacy of social assistance rates is their relationship with net incomes in work, which is commonly estimated by the notional replacement rate.”²² They highlight this in Figure 3.3, which focuses on average net replacement rates for four family types on social assistance after five year of unemployment. This Figure demonstrates the very wide variation across the EU, with results ranging from 8% in Italy and 20% in Greece to around 70% and more in Sweden, Finland, The Netherlands, Ireland and Denmark.

Figure 3.3: Average net replacement rate for four family types on social assistance after five years of unemployment (in % of net income in employment, 2006)



Source: 2007 OECD *Benefits and Wages* database (quoted in UK experts' report); see: <http://www.oecd.org/dataoecd/16/42/39720461.xls>

Of course, in some countries there is no issue about disincentives not because MISs are effective but because they are very low. For instance, the Polish expert points out that “according to studies there is no detrimental effect of social assistance benefits on the incentives to work. This is above all due to the very low level of benefits from social assistance.” The Hungarian expert points out that the standard of living one may achieve living on benefits versus living on minimum

²² Net income on social assistance as a proportion of net income in employment.

wage and having several additional expenditures creates understandable social tensions. She expresses concern that this tension can be further increased by the media and by some local politicians who often create a picture of the “undeserving poor”. This can then provide the basis for scapegoating those living in poverty (especially the Roma) instead of providing a realistic picture of the life of the poor and the social causes of that. She also highlights that there is a tendency in Hungary to suggest that high social expenditures are a significant cause of today’s economic troubles. She considers this view to be misleading, especially when discussing the costs of MISs.

3.3.1 Key disincentives

Some experts identify specific disincentives. These include the following:

- High benefit withdrawal rates create significant disincentive effects in certain instances. In particular, secondary benefits that provide access to key services (e.g., support with accommodation, medical card, childcare, etc.) can be withdrawn at levels of earnings that are too low for people to be able to afford private market alternatives. (IE; see also Box 3.4 below)
- Where people on social welfare live on low incomes, they are vulnerable to debt and low self-esteem and less likely to have the motivation and means to progress their lives. The contingency basis to payments can, paradoxically, encourage a person to concur in seeing an aspect of their current situation as an impediment confirming their inability to be self-reliant (e.g., being a lone parent, having a disability) and yet cling to it as their guarantee of a secure income. (IE)
- The UK scheme has always had a disjunction between in-work and out-of-work support. This means that moving from one system to another is never a seamless process. People moving into work have to give up Income Support (IS) and claim Working Tax Credit (WTC), and their Housing Benefit (HB) and Council Tax Benefit (CTB) will be reduced (though in some cases people can receive ‘extended payments’ of HB and CTB which means that they continue to get their out-of-work rates for four weeks after returning to work); their Child Tax Credit (CTC) entitlement is also likely to decrease eventually.
- The absence of taper adjustment regarding additional earned income, and regulations on eventual refund of benefits, which a former beneficiary may be obliged to pay, are likely to reduce work incentives considerably. (ES)
- Notwithstanding the low level of subsistence benefit in many cases, it is more useful to live on benefits than go to work for minimum or close to minimum wages, especially considering the additional expenditure involved in employment, such as transport, eating out, child care etc. As the subsistence benefit depends on household’s income, then one member of the household not working may diminish the motivation to work also of other members of the household, since the small gain in income from small wages lowers the subsistence benefit by an equal amount. (EE, HU)

Some experts particularly note that disincentives apply to some groups more than others. For example, the Spanish expert notes that “in general, the further removed one is from contributory protection, the greater the pressure on one to actively seek work; the older one is, the lesser the pressure and the greater the social protection available to carry one over until retirement.

Between the ages of 45 and 52, activation is only a relative obligation; for the under-45s it is a far more stringent requirement.”

3.3.2 Addressing disincentives positively

Several experts (e.g. DK, IE [see Box 3.4] and PT) highlight positive approaches to addressing the question of disincentives. In Portugal, the experts underline that “in terms of incentive or disincentive to work, one must underline that only 80% of the families’ work income is taken into account in the applications to the SII, providing some incentive to work in a way that would not occur if the totality of income were accounted for. In this latter case, individuals would be led to a situation in which their household net income would be the same if they were working or not.” The Danish experts note that “much of the recent policy development in this area has had as its main objective to increase labour market attachment by means of increased incentives. Recent policy developments to this end include: Initial help (1.7.2002), Reduction of cash benefit to married couples after six months (1.1.2003), Increase in employment tax deduction for all married cash benefit recipients after they have received six months of cash benefit (1.1.2003), Maximum limit of cash benefit (1.1.2004), and 300 hours rule (1.4.2007).” However, they also note that “the effectiveness of incentives is ambiguous. Incentives seem to have had an impact on some recipients while at the same time the less resourceful, in terms of health status, language competences etc., have been put in a relatively worse position due to the scheme.”

Box 3.4: Addressing disincentives in Ireland

Effectiveness as regards incentives and disincentives around employment has been the subject of reform for at least ten years in Ireland. A four-fold strategy has been pursued: increasing the flexibility of the benefit system and its generosity towards earned income; improving the human capital and skills base of benefit recipients (especially the unemployed claimants); applying an early intervention and activation approach; and making work pay (by benefit and taxation changes and incentives). While there has been much progress in this, there are some outstanding problems, including continued high benefit withdrawal rates and the absence of a systematic process for monitoring and redressing the erosion over time in the value of the earnings disregards and income eligibility thresholds.

Irish National Expert

Before concluding this chapter, it is important to stress, as has been pointed out by the Belgian experts, that the strong emphasis on financial incentives to work is typically linked with the “making work pay” approach to social protection – a view which is associated with the “dependency culture” paradigm (or in terms of Levitas, the ‘moral underclass discourse’)²³. This paradigm challenges the effectiveness of social protection systems by emphasising the risk of trapping beneficiaries into dependency. The making work pay discourse was deeply entrenched in the OECD’s Jobs Study (1994) and became one of the cornerstones of the EU strategy to modernise social protection in the 1990s. Partly as a result of this emphasis (but also due to tightening budget constraints), the gap between social benefits (including MISs) and other income sources has increased considerably over the past two decades. Recent studies therefore tend to switch to alternative views based on Sen’s capability theory. From this perspective, more generous social benefits are seen as a means to invest in people’s capabilities and, thus, to re-

²³ Levitas R. (1998), “The inclusive society? Social exclusion and New Labour”, MacMillan.

integrate the society as well as the labour market²⁴. This view has also been adopted in the flexicurity approach, which currently dominates the European discourse on social protection and activation.

3.4 Conclusions

Most Member States fall short of having minimum income schemes which allow all people to live life with dignity and many fall very far short. There is a lack of clarity as to what constitutes an adequate income and a lack of transparency and consistency in how levels of payments are established. The extent of coverage needs to be improved in a significant number of countries and non-take-up is also a very widespread problem that needs to be addressed much more systematically. Indeed, the experts' reports reinforce the findings of the aforementioned 2008 Commission's Communication which notes that while estimates of take-up rates of social assistance in the UK, FR, DE and NL are in a range of 40% to 80%, "the EU average shows a starker reality: only 18% of the non-working population at-risk-of-poverty is in receipt of social assistance (even if this figure must be qualified: it does not take into account receipt of other types of benefits)". This highlights the need for more thorough and regular monitoring of the effectiveness and implementation of MISs.

In the light of these findings it is clear that urgent action is required if the minimum income strand of the 2008 Commission's Recommendation on active inclusion and related 2008 Council Conclusions and indeed the 1992 Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems (see above) are to become a reality. To try and tackle the various issues identified in this chapter, we have made thirteen concrete suggestions for action at the national and/or EU level (see above, Section 1.2).

²⁴ For a discussion of this, see: Nicaise I. (2007), *Unemployment and non-employment: towards an integrated approach*, Brussels, European Commission - DG Employment and Social Affairs, Thematic Review Seminar on "Modernising and activating benefit and social protection systems to promote employment", 28 March 2007.

4. The link between minimum income and the other two pillars of active inclusion

The 2008 Commission's Recommendation on active inclusion stresses the need for "an integrated comprehensive strategy for the active inclusion of people excluded from the labour market combining adequate income support, inclusive labour markets and access to quality services". It thus advocates a "comprehensive policy design defining the right mix of the three strands of the active inclusion strategy, taking account of their joint impact on the social and economic integration of disadvantaged people and their possible interrelationships, including synergies and tradeoffs". In the light of this the experts, in their national reports, analysed two things. First, they assessed the extent to which minimum income recipients receive support in terms of employment and training programmes; and, secondly, they investigated the extent to which attention is given to their access to quality services.

4.1 Minimum income schemes and inclusive labour markets

Many experts (e.g. AT, BE, CY, DE, DK, IE, FI, MT, NL, PT, SE, SI, UK) comment relatively positively on the extent to which activating measures such as support and training programmes target minimum income recipients, and several note recent or planned improvements. However, the effectiveness of the measures can vary quite widely and in many Member States the extent to which they target those in the most difficult situations and are tailored to meet individual needs often requires further development. There is also often a lack of data on and evaluation of the effectiveness of measures. For instance, the Slovenian experts point out that "there are no figures available on the numbers of unemployed financial social assistance recipients that participated in employment and training programmes²⁵ and no assessment exists on how successful this participation was".

Amongst those experts commenting favourably, the Danish experts highlight that "adequate income support is closely connected to the active labour market policies, and both the obligation to and right to activation is linked to the MISs. A number of active labour market initiatives in recent years have sought to provide new entries to the labour market, also for groups with limited labour market experience." The Belgian experts comment that "as regards employment and training, the Public Centres for Social Welfare offer their clients employment programmes. The effectiveness of these programmes depends on their objective. In particular, programmes aimed at restoring social security rights are less successful in durably integrating MI-recipients into the labour market than genuine employment activation programmes." The Swedish expert highlights an active policy programme aimed at coordinating different public bodies in order to achieve a job coaching chain and the importance of concerted efforts from the social welfare office, employment agency, health care office and social insurance office (see Box 4.1).

²⁵ When reporting on the annual implementation of Active Employment Policy (AEP) measures, the Employment Service of Slovenia presents the overall data on participants and for some programmes participants by gender, age and duration of unemployment.

Box 4.1: Facilitating labour market participation in Sweden

In order to promote active inclusion, the focus is laid on professional social work, stressing the importance of not only paying money but also actively working with the clients in order to facilitate labour market participation and economic independency. In order to make such a strategy successful, efforts are made to increase the cooperation between different public bodies, especially health care, social insurance office and, not the least, the employment agency. Thus, in praxis harder pressure is put on the recipients of social assistance to seek, find and accept job offers. A central aim is to prevent youngsters to turn into passive recipients of public support. However, this, as local experiences have shown, has to be done in combination with a more intense social work and a more concerted provision of public efforts to make such a policy possible. Thus, close cooperation with the local employment agency, the social insurance office and the health care system. Both the employment agency and the insurance office are state governed organisations while the health care system is administered on the county level and social work at the municipality level.

Swedish National Expert

The Dutch experts (Box 4.2.) emphasise that “reintegration is integrated in the Work and Social Assistance Act of the Netherlands. Municipalities receive a budget which is intended for carrying out a local reintegration policy to help the municipal target group find work.” On the other hand, they report that “studies show that the effects of reintegration programmes appear to improve, but remain modest”. Rather similarly, the German experts comment that “the special targets for social integration correspond with the growing EU emphasis on active inclusion. Nevertheless, in practice the labour-market authorities target more those who are near by the labour market than those who are furthest.”

Box 4.2: Reintegration provisions in the Netherlands

A reintegration provision can take all sorts of forms: diagnosis of the client's possibilities, job application training, wage-cost subsidy, combinations of learning and working, etc. In the past years, the emphasis is less on long-term schooling and training and more on short-term courses. These courses, however, are more intense (32 hours a week) and more often contain a work-component. Municipalities also started to use an approach whereby people start working immediately (while retaining benefits or with salary) called Work First. Finally, municipalities increasingly use wage-cost subsidies to help develop people's working skills in order to ultimately help them get back to the labour market.

Dutch National Experts

In Finland, the experts highlight that “the active employment policy and social policy have been further integrated in Finland during the past 10 years. Promotion of labour market integration of MI recipients as well as other unemployed people is supported by various employment and training programmes, some of which include elements of personal service.” Interestingly, they add that efforts are made to target some of the most vulnerable as “from the beginning of 2006, the *activity of the labour market support* was enhanced so that the conditionality of support increases as the period of unemployment lengthens and the unemployed are offered services more intensively”. Special efforts are also made to target young people so that “in 2007, an individual job seeking plan was prepared for around 82 per cent of young people within three months of their becoming unemployed”. However, the experts consider that there is still a need for enhanced measures for “the immigrant population, whose unemployment rate was more than two times that of Finns (before the financial unrest started)”.

Austria and Portugal are also countries which show a steady effort to improve linkages. The Austrian expert comments that “for a long time an extensive deficit was evident regarding employment and training programmes for recipients of social assistance. Yet, this situation has - although only gradually - changed during recent years. One example is the programme “Job-chance”: established in the federal provinces of Vienna and Upper Austria, Styria, Tyrol and Carinthia, it introduced related tools. These programmes combine support by social workers with the opportunity to acquire and stabilise professional and social competencies and qualification. However, for the time being such services are still rather small-scale, not comprehensively available, and mid-term outcomes are varying. The envisaged reform-package of the means tested minimum income benefit would also address this problem to some degree, as it is planned to structurally integrate recipients of this benefit into training measures of the Employment Service.” The Portuguese experts report that in 2007, the National Commission for the Social Insertion Income (SII) launched the Strategy for Active Inclusion. They are hopeful that this may further enhance this important dimension of the minimum income scheme in Portugal. They suggest that “the potential raised by these changes may have a positive impact on the implementation of a Programme where there is already evidence that the activities developed under the insertion programme address a variety of dimensions such as social action, health and education”.

The Irish expert also notes that support to minimum income recipients in the form of (personalised) employment and training programmes “has intensified and widened (in its remit, target group and the involvement of different agencies) over the last years especially. It is mainly the unemployed who have been targeted but in the last year or so lone parents (and those who are on disability-related payments) have become the focus of policy innovation in this regard.” However, she notes that “while progress is being made, provision is still some distance from a personalised action plan for this and other groups of benefit recipients”. The UK experts also comment that employment and training programmes have been expanded and that many of these are linked to benefit receipt, including the length of time claimants have spent on benefit. Yet, they point out that “the distinction is largely not between those who are on social assistance and others (e.g. on national insurance benefits), but between those on different benefits and (for parents) with children of different ages. In future, the Government wishes to move towards an increasingly personalised conditionality regime, in which the support offered would be linked to the client’s characteristics rather than what benefit they are claiming.” In Malta, the expert describes how “through various schemes, the Employment and Training Corporation, a parastatal agency, seeks to assist persons to take up profitable employment and provides training opportunities tailor-made to assist both the unemployed and their potential employers”. In Cyprus, the experts note that “the Social Welfare Services (SWS) are operating several projects to encourage labour market participation. Some of these projects are specifically designed for public assistance recipients while others address inactive persons at large. The projects cover training for new skills to match labour market needs, subsidised salary and attractive employment conditions, guidance and support in active job search and care services for the reconciliation of family and working life. Furthermore, upon entering employment a public assistance recipient continues to receive the benefit for twelve months (in full for the first four months, thereafter declining by a third every four months). A recently completed SWS study shows that rigorous and well designed and implemented active inclusion programmes can succeed in encouraging public assistance recipients to enter the labour market, however, their long-run results have not yet been evaluated.”

In France, the expert highlights that the replacement of the API (single-parent benefit) and RMI (minimum income scheme for social insertion) with the RSA (Active Solidarity Income) not only

generalises and extends the incentive system already set up under the RMI, but also “significantly reorients this minimum income benefit towards assistance in finding work”. However, he notes that the implementation of this change is still to happen and that the current economic and financial crisis may weaken the development of this aspect in the immediate future.

Although Member States generally stress the importance of activation measures to increase participation in work, several experts (e.g. BG, CZ, EE, EL, HU, LT, LV, PL, RO, SI) are critical of how well these target and support those dependent on MISs. For instance, the Polish expert notes that “notwithstanding the reform efforts aimed at bolstering the activation policy and the intensification of the labour market programmes due to changes in law and European Social Fund (ESF) support, the people furthest from the labour market have still very limited chances of returning to labour market. This is due to the fact that the programmes for those people are not effective in ensuring employment. Programmes to encourage transition are, as a rule, poorly designed to meet the needs of such people. On top of that, negative selection, often reflecting negative biases, compounds the difficulties with access to effective labour market tools addressing needs of long-term unemployed people and people with low skills. Pro-transition services based on a holistic approach to the excluded people are offered only by very few narrowly specialised social and employment integration institutions.” The Greek expert, while describing a number of programmes that exist to support people to seek employment, comments that “the provision of benefits and allowances does not aim, by design, at the improvement of the labour market situation of welfare recipients”. The Lithuanian experts comment that “unfortunately institutions responsible for social inclusion in the majority of cases do not succeed to integrate the recipients of social assistance benefits into the labour market. Active labour market policy measures when applied to most disadvantaged social groups lack interdepartmental cooperation and social encouragement.”

The Hungarian expert highlights the requirement of social assistance recipients to cooperate with the authorities. However, in practice this cooperation varies significantly by region. She concludes that “regarding the two other pillars of the active inclusion strategy, the institutional and professional background for those programmes is missing in several regions and small settlements, especially where the situation is the most grave”. The Romanian expert highlights the problem of lack of coordination between services and comments that “improving inter-organisational cooperation and mutual support between various institutional levels and actors involved in designing and implementing social assistance programmes and active inclusion policies by connecting activation measures (as an effective way of social integration and economic independency) and means-tested benefits could address more successfully not only poverty per se, but also the risks of social exclusion.” The Spanish expert considers that in spite of an emphasis on activation measures there have been problems with their application. In particular he stresses that they are too generalist and not sufficiently differentiated to meet the needs of particular groups. Thus, he comments that “there are no activities designed specifically for the groups at greatest risk” and that this leads to “scant participation from the excluded population in training programmes aimed at the population in general”.

4.2 Minimum income schemes and access to quality services

A significant number of experts (e.g. BE, DE, DK, EE, FI, IE, IT, NL, PT, RO, SE, UK) comment relatively positively about the developing links between MISs and access to quality services. For instance, the Danish experts comment that “the universal character of the Danish welfare state ensures the possibility of having access to child care, also for people dependent on support from

MISs. Additionally, there are supplementary support schemes such as housing benefits and child care for low income groups." Similarly, the Finnish experts note that "the access to quality services is supported by an equal access to almost-free-of-charge health-care system and subsidised childcare costs in all municipalities. Furthermore, the low-income population is entitled to apply for social rental housing, which is available in major urban regions." Likewise, the Belgian experts note that "access to quality services is essentially provided through the right to social assistance. This right encompasses a wide variety of services ranging from additional financial support, to medical assistance and housing facilities." However, they conclude that "it is difficult to calculate the impact of these kinds of services". Encouragingly, the Irish expert comments that "one of the great learning curves involved for Ireland in the linking of the anti-poverty agenda with that on social exclusion has been in recognising the role of social services in combating marginalisation and disadvantage. This is a lesson that is in the process of being learned and progress is visible especially in the NSRSPSI (and the two anti-poverty strategies that have been produced at national level)." However, she considers that Ireland still has some distance to go and stresses that ensuring enhanced policy coordination between public agencies and services and also between local, regional, national and EU authorities will need considerable action to become effective given the high degree of centralisation in the Irish system. These include "administrative support, social guidance, financial assistance, housing support, psychiatric help, as well as assistance with pedagogical needs, aid to solve health problems, education and vocational orientation".

The UK experts also report quite positive links with social services as, "depending on the particular benefit/tax credit being received, people receiving minimum benefits can apply for loans (mainly) from the Social Fund, exemption from health service charges, childcare element of working tax credit, grants in pregnancy and free school meals". The Romanian expert describes a range of services that complement the social protection schemes. She says that "existing support services include social canteens, sheltered accommodation, job insertion centres, etc. with the local authorities and non-governmental organisations being the main providers". However, she notes that "concentration of these services in the urban areas denies access to this type of assistance for quite a large number of people living in remote isolated communities". In Italy (see Box 4.3), the expert comments that "beyond providing cash transfers, local authorities (namely municipalities) facilitate the access to basic services while revealing that new governance and management mechanisms are necessary to integrate social policies with health, housing, employment (labour supply and demand matching, especially in favour of low skilled and disabled), training and education within more coherent regional development programmes and local plans. Evidence shows that institutional capacity is increasing but continues to present weaknesses." Likewise, the German experts underline that "the schemes *unemployment pay II* (Arbeitslosengeld II) and *social money* (Sozialgeld) (...) are not only covering the largest group of people (around 5 million persons), but are also designed to connect cash benefits and social services by preparing employable people for a professional life and helping them to find a job. Furthermore, they give advice how to claim for services as childcare, psychosocial support, debt counselling, etc."

Box 4.3: Linking minimum income schemes with employment and training in Italy

Generally speaking, MISs are linked with customised employment and training programmes, as demonstrated also by the following examples:

- Nearly 50,000 individuals (involved in the experimentation with the national RMI) participated in customised plans of social integration, consisting in vocational guidance and training, apprenticeship and so on, as well as in social utility works, children and elderly care services apart from school and other types of education and socialisation activities.
- In the Friuli Venezia Giulia region, 45% of the MIS recipients were specifically supported by local PES (public employment services) and 88% of them signed a specific “service pact” to participate in vocational guidance and training projects, labour insertion plans and work experiences.

Italian National Expert

By contrast, several experts (e.g. BG, CZ, EL, ES, HU, LT, LV, PL, SK) are critical of the failure of their country to sufficiently link access to services and MISs. For instance, the Polish expert comments that “the access of persons living in poverty to the basic quality services and free health care and decent housing is limited. The access to health care for persons who are furthest from the labour market is partial and conditional. The possibility of ensuring decent housing conditions for the homeless and people living in extreme difficult situation is very limited. The immense shortage of social housing causes that the waiting list often implies a wait of many years. The existing social housing often does not provide even a minimum standard (such as on premises bathroom and toilet) and fails to meet safety standards. The programme of social housing construction launched in 2006 is advancing definitely too slowly.” The Spanish expert, while acknowledging the universal provision of key services highlights that “the challenge facing the three services (health, education, social services) is to adapt to at-risk groups in order to improve equality and efficacy, enhance inter-service coordination in cases of social intervention, and reduce territorial imbalances in service supply and access requirements, imbalances which represent real obstacles to access and impair efficacy”. The Czech expert comments that “the services provided to recipients of social assistance like vocational training, individual social work and access to housing are rather deficient and not well coordinated with MISs (except the new measures aimed to improve incentives for job search)”. The Latvian expert comments that “in Latvia, support mechanisms for recipients of MISs in terms of access to quality services are insufficient. There are very few support instruments established at the national level. The municipalities direct a significant part of social assistance to ensuring the accessibility to quality services for the poor residents in policy fields like health care, education, housing/heating and transport. Upon the assessment of its financial possibilities, each municipality determines the size and type of support.” The Bulgarian experts particularly highlight problems with health care and the failure to adequately address the problem of the uninsured. The Slovak expert emphasises that while services for families and children are emphasised in strategic policy documents there has been “long-term negligence of investments in such basic services as housing or services for families with children. Lack of communal housing and affordable apartments for rent is striking in international comparison. The worst situation is in segregated Roma settlements. Recent investment in housing construction and support for communal housing construction cannot patch the gap made by almost two decades. The situation is similar with kindergarten. Recent efforts, support for free access for children from household living on minimum income cannot remedy the fact that kindergarten are not available for children living in remote settlements.” The Greek expert points out that “the percentage of poor people reporting inability for any reason (e.g. financial, long distance, bad communication, etc.) to visit a doctor of any specialty and a dentist is almost double than the respective percentages of the non-poor people. (...) Likewise, the

percentage of poor people reporting financial inability to acquire satisfactory heating is almost three times higher than the respective percentage of non-poor people.” The Hungarian expert highlights huge differences between the theoretical availability of quality services and their actual availability and points to major regional differences in provision.

4.3 Conclusions

Overall the experts’ findings show that linkages between minimum income schemes and inclusive labour market policies are more often evident than specific linkages ensuring access to quality services. There is a general trend to strengthen activation measures but often these are not sufficiently targeted at or tailored to meet the needs of the most vulnerable groups. In a significant number of Member States, a comprehensive approach is still weak or simply missing and much more needs to be done to systematically work on the development of synergies between MISs and the other two strands of active inclusion. In the light of these findings we have made three concrete suggestions for action at the national and/or EU level (see above, Section 1.2).

Annex: Main characteristics of Minimum Income Schemes (MISs) and their relationship with national social protection systems

Table A1: Main characteristics of MISs

Table A1 below gives a broad overview of the principal characteristics of the different Member States' MISs schemes based on the assessments of the independent national experts²⁶. It is important to note that it is impossible to completely capture all the nuances and complexities of a country's scheme(s) in one table. Different aspects of the systems can sometimes be interpreted in different ways. Moreover, minimum income systems as such may also contain contradictory elements that appear when gradual changes take place over time, e.g. when new laws are designed. Thus readers wanting to understand better the details of individual national schemes can find more information in both the full text of the present Synthesis Report and, of course, in the experts' individual country reports (see Preface for web-site address).

General vs. categorical What are the main characteristics of the MIS?	General scheme of last resort		General scheme of last resort with additional categorical benefits		Categorical benefits only	
	BE ²⁷ , CZ, DE, EE, (IT) ²⁸ , LT, LU, LV, NL, PT, SE, SK		AT, BG, CY, DK, ES, FI, FR, IE ²⁹ , PL, RO, SI, UK		EL, HU, MT	
Adequacy Is there a mechanism based on a (set of) clearly specified indicator(s) for establishing the level of payments?	Yes, there is a clear mechanism. It is based on:					No, the level of benefits is set (mainly) on a subjective or arbitrary basis
	Median/Mean income or % of it (e.g. national relative poverty line)	Living standards (prices, absolute poverty line, basket of goods...)	Minimum wage	Other (see footnote)		
	BG, (IT)	CY, CZ, DE ³⁰ , PL, RO, SE, SI	ES, MT, NL	DK ³¹ , ES ³² , FI ³³ , HU ³⁴ , LT ³⁵ , LU ³⁶ , PT ³⁷ , UK ³⁸		AT, BE, EE, EL, FR, IE ³⁹ , LV, SK

²⁶ In the case of Luxembourg the assessment has been completed by the Network Core Team.

²⁷ All entries for BE only refer to the general scheme of MI known as the "right to social integration".

²⁸ Italy does not have a national MIS. However, some regions have established MI mechanisms and thus references to IT in this table refer to them.

²⁹ It is flat rate and based on a test of means. It is possible to get assistance with housing and with supplementary costs such as equipment, school-related expenses and so forth. These are discretionary.

³⁰ EVS, earning and consumption statistic.

³¹ Standard rates are defined according to the Act on Active Social policy.

³² Minimum inter-professional wage (MW) for the over-18s: 665.57 euros/month. This indicator is mainly used in the uprating of the minimum incomes related to unemployment benefits and minimum pensions. IPREM: Public Indicator of Multiple Effect Incomes: 499.2 euros/month. This indicator is mainly used in the uprating of social benefits related to regional minimum incomes, school grants and personal social services benefits.

³³ According to the Act on Social Assistance (1412/1997), the basis of the assistance is tied to the development of the national pension index (§9). Standard rates are set nationally every year for municipalities to follow. All the municipalities follow the same rates.

Coverage How extensive is the coverage of people in need?	Fairly comprehensive	Partial	Very limited	
	AT, BE, CY, CZ, DE, DK, ES, FI, FR, HU, IE, LU, NL, PT, RO, SE, SK, UK	BG, MT, PL, SI	EE, EL, (IT), LT, LV	
Uprating Is there a clear mechanism for periodic review of MIS levels?	Yes, there is a clear mechanism and it is:			No, it is arbitrary
	Regular	Fairly regular	Irregular	
	BE, CY, DE ⁴⁰ , DK, ES, FR, FI, HU, IE, LU, LV, NL, PT, RO, SE, UK	CZ ⁴¹ , MT ⁴² , PL, SI, SK ⁴³	BG, LT	AT, EE, EL, (IT)
Time duration To what extent are MIS payments time-limited?	No time limit	Periodical reassessment but not necessarily limitation in time	Time limited	
	CZ, DE ⁴⁴ , DK, EE, EL ⁴⁵ , FI, FR, HU, IE, LU, LV ⁴⁶ , NL, SK, UK	AT, BE, CY, ES, LT, MT, PL, PT, RO, SE	BG, EL ⁴⁷ , (IT), SI	

³⁴ In the Hungarian system, most benefits are tied to the minimum pension (currently 28,500 HUF, at present approximately 95 EUR) rather than to the minimum subsistence level. The minimum pension was below the Central Statistical Office relative minimum subsistence level indicator already when it was introduced, and it has been getting further away ever since. As to uprating: it increases as the pensions are indexed yearly. The real value of the minimum pension is only 65.8% of that in 1990.

³⁵ Social benefit is paid to the family and single person if the monthly income is below the level of the state-supported income. In 2007 state-supported income was LTL 235; the at-risk-of-poverty threshold was LTL 566 per single person and LTL 1188 per family of 2 adults with 2 children younger than 14 years. 1 EUR equals 3.4528 LTL.

³⁶ The level of the Luxembourg MIS was originally established on the basis of the level of the main existing social protection minima - minimum "social wage", unemployment benefit, minimum pension, etc.

³⁷ Indexed to the social pension.

³⁸ Previous amounts (which were originally derived from Rowntree's 1936 budget standard) uprated by different indices.

³⁹ Reviewed annually and increased in line with other benefits as part of the Budget process.

⁴⁰ Annually according to the evolution of pensions.

⁴¹ Since 2007, there is no legal obligation (only the "possibility" is mentioned in the legislation) for the government to re-evaluate the level of the MI - until 2007 it should be 'regular'.

⁴² As part of the annual budget.

⁴³ In practice, there is a fairly regular uprating but the criteria are not unified and not always transparent.

⁴⁴ According to SGB II (unemployment MIS) recipients are forced to take over jobs at almost every condition.

⁴⁵ Categorical benefits which are not means-tested benefits (including many disability benefits).

⁴⁶ Since 1st July 2009.

⁴⁷ Categorical benefits which are means-tested benefits and unemployment benefits.

Rights basis To what extent are payments paid on a rights basis (i.e. fixed criteria) or on a discretionary basis?	Strictly rights based	Predominantly rights basis but with some discretionary elements	Substantial discretionary elements
	BG, DK, EE, FR, HU, (IT), LU, MT, NL, RO, SK	AT, BE, CY, CZ, DE, EL, ES, IE, LT, LV, PT, SE, SI, UK	FI, PL
Level of governance – policy decisions At what level are policy decisions (e.g. eligibility, level, time duration) MIS taken?	Exclusively or almost exclusively national	National and regional/local jointly	Exclusively or almost exclusively regional/local
	BE, BG, CY, CZ, DE ⁴⁸ , DK, EE, EL, FI, FR, HU, IE, LT, LU, LV, MT, SI, SK, UK	DE ⁴⁹ , ES, PL, PT, RO, SE	AT, (IT), NL
Level of governance – delivery What level is responsible for organising the delivery of MIS?	Exclusively or almost exclusively national	National and regional/local jointly	Exclusively or almost exclusively regional/local
	FR, MT, SI	DE ⁵⁰ , EL, ES, IE, LU, PT, RO, SK ⁵¹ , UK	AT, BE, BG ⁵² , CY, CZ, DE ⁵³ , DK, EE, FI, HU, (IT), LT, LV, NL, PL, SE
Link to employment To what extent does the MIS cover people in employment as well as those out of work?	Out of work only	Almost exclusively out of work but in some very specific cases in-work as well	In and out of work
	DE ⁵⁴ , IE	AT, BE, BG, DK, EL, HU, MT, SI, SK	CY, CZ, DE ⁵⁵ , EE, ES, FI, FR, (IT), LT, LU, LV, NL, PL, PT, RO, SE, UK

⁴⁸ SGB II (unemployment MIS).

⁴⁹ SGB XII (MIS for those who are out of work); nationwide framework legislation with opportunities for regional modifications.

⁵⁰ SGB II.

⁵¹ It should be noted that regional units responsible for delivery (offices of labour, social affairs and families) are strictly subordinated to the central level.

⁵² Through decentralised units of the national government.

⁵³ SGB XII.

⁵⁴ SGB XII.

⁵⁵ SGB II.

Table A2: MIS and social protection systems

While the experts' reports did not examine in detail the overall social protection context in their countries, Table A2 below summarises the experts' broad impression of the state of development of MISs and the broader social protection systems in their countries.

Extent of role played by MIS in protecting people against poverty	Extensiveness and degree of development of social protection system			
		Extensive and well-developed	Medium	Weak and limited
Key role	DK, NL, UK		CY, ES,	
Medium	BE, DE ⁵⁶ , FI,		CZ ⁵⁷ , HU, IE, RO, SK ⁵⁸	
Minor/residual role	AT ⁵⁹ , LU, MT		BG, EE, EL ⁶⁰ , (IT) ⁶¹ , LT, PL, PT, SI	LV ⁶²

⁵⁶ Although there is nearly a personal coverage of 100%, the level of the German MIS is lower than the 60% median poverty-risk threshold.

⁵⁷ The Czech expert comments that he prefers the medium-medium option for the following reasons. "If we assess the social protection system only from the perspective of alleviating poverty, it is really extensive and well-developed and it redistributes a lot to low income groups (for example pensions, low poverty rate among pensioners). However, the replacement rates for middle income groups are generally low and it is for that reason that I rather opt for 'medium': the function of the social protection system is rather to prevent an unacceptable drop in living standard than just to alleviate poverty. Similarly, the role of MISs might possibly be assessed as 'key role' (good coverage, low general poverty rate); however, considering recent changes in "living minimum" and delayed re-evaluation the situation is probably worsening (especially with some specific population groups)."

⁵⁸ While the social protection system is quite well developed as it covers numerous contingencies, the strict conditions and limited level of expenditure limit its extensiveness and generosity. Likewise, while the MIS has extensive coverage and plays an important role in reducing the level of poverty, the adequacy of payments remains problematic.

⁵⁹ It is getting more important regarding protecting people against poverty (rising number of benefit claimants).

⁶⁰ In terms of social protection expenditure, the Greek social protection system can be classified as medium. In terms of coverage and efficiency it is less developed.

⁶¹ Italy does not have a national MIS. However, some regions have established minimum income mechanisms and this entry refers to these.

⁶² In spite of its limitations and inadequacies, the MIS plays a very significant role for poor people during the current severe crisis situation (to have any resources to survive).



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Minimum Income Schemes Across EU Member States

The importance of ensuring adequate social safety nets has grown considerably with the current economic downturn. Yet, according to a recent overview prepared by the Core Team of the EU Network of National Independent Experts on Social Inclusion, most countries within the EU still fall far short of having sufficiently developed and/or generous minimum income schemes (MISs) that allow people to live their lives with dignity. However, in many cases they do play an important role in reducing the severity and depth of poverty.

The Core Team's Synthesis Report, which draws on national non-governmental reports assessing the different Member States' MISs, comes just one year after the Commission published its Recommendation on the active inclusion of people excluded from the labour market. The Recommendation, adopted on 3 October 2008, contains common principles and practical guidelines for a comprehensive social inclusion strategy, based on a combination of three policy pillars: adequate income support, inclusive labour markets and access to quality services. The minimum income strand of the Recommendation calls on Member States "to recognise the basic right of a person to sufficient resources and social assistance to live in a manner compatible with human dignity as part of a comprehensive and consistent drive to combat social exclusion".

The Synthesis Report includes sixteen suggestions for action at the national and/or EU level to help Member States to make the minimum income strand of the Commission's Recommendation on active inclusion to become a reality and to help the Commission in its ongoing monitoring of the implementation of the Recommendation. These cover the issues of adequacy, uprating, coverage, non-take-up, disincentives, linking the 3 pillars of "active inclusion", monitoring and reporting and the economic and financial crisis.