

REPORT ON CURRENT EXPERIENCES AND TRENDS IN THE REFORM OF MINIMUM INCOME SCHEMES IN THE COUNTRIES OF THE EUROPEAN UNION

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Abstract

Starting from the description of the situation in the project proposal and on the assessment of the MISs in the country reports and the country specific recommendations for Spain, this report looks at current trends and experiences of reforms in MISs and tries to identify best practices in existing MISs in other countries in the EU, that could be inspiring for the Spanish reform.

In a first chapter, an analysis is conducted of the effectiveness and efficiency of MISs in the fight against poverty, based on different sets indicators: the capacity to lift people out of poverty and to reduce poverty (which is definitely the best indicator for adequacy of income support), the capacity to guarantee adequate minimum income support for working as well as for jobless households, the combination of poverty reduction and employment friendliness, and the effectiveness and efficiency based on a multi-dimensional set of indicators. Although it is not possible to identify one single type of MIS that performs best, existing research indicates that the MISs of Ireland, Denmark, the Netherlands and the UK stand out in most of the assessments.

A second chapter takes a closer look at the design of the MIS in Austria, since this is a country where the competence to provide minimum income is at regional level, but an agreement between the national level and the federal provinces established common minimum standards for all MISs, resulting in better streamlining and better coordination of regional schemes throughout the country.

A third chapter takes a closer look at some examples in EU countries of simplification of benefit systems and of integrated service delivery. The Netherlands deliver a good practice on how benefits systems can be simplified to cover most people with difficulties to re-enter the labour market. Austria, Finland, Norway and Ireland have experiences with one-stop-shops, that could provide a good practice for Spain.

In a fourth chapter different policy debates are screened that can be relevant with regard to the Spanish situation. It provides information on the way in which levels of MI are determined in other Member State and on the possible use of reference budgets as a promising tool. It illustrates which additional benefits – mostly for housing and energy - can be combined with minimum income in several Member States and specifies how housing costs are valued and accounted for. A separate section clarifies the combination of minimum income with income from employment, where France's RSA is an interesting case. A special focus is put also on the role and the design of family and child benefits, that are of key importance as complementary income support to fight (child) poverty. Evidence shows that systems of targeting within universalism deliver the best results, provided that child benefits are combined with a decent minimum income. A section on coverage and take-up identifies possible measures for improvement: eliminating conditions, especially linked to residence, and guaranteeing access as an individual right, ensuring simple and transparent entitlement criteria could substantially improve coverage and take-up of benefits in Spain. Finally, some comments are made on the effects of crisis measures on social protection and minimum income, showing that countries that took expansionary measures with regards to unemployment benefits not only protected people from income loss but also made economies more resilient to the effects of the crisis.

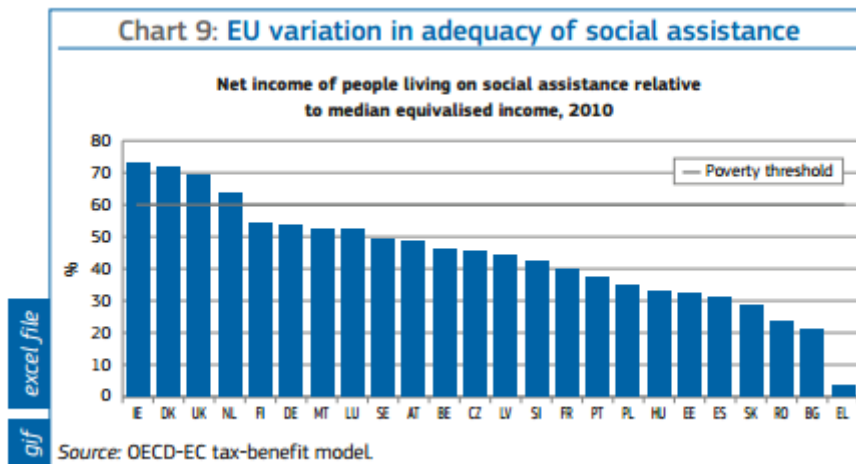
The report formulates final conclusions on key issue in relation to minimum income that could be of interest for Spain, that are briefly reflected in this abstract.

I. Comparing performances of EU Member States with regards to the effectiveness and efficiency of their Minimum Income Systems (MISs).

In this chapter, we will assess countries performances with regards to the fight against poverty, using three different sets of criteria: (1) the capacity of countries to lift people out of poverty and to reduce poverty, (2) their capacity to guarantee adequacy of minimum income as well in- and out-work, (3) their effectiveness and efficiency based on a multi-dimensional process.

1. Effectiveness of social policies measured by their capacity to lift people out of poverty or to reduce poverty.

The adequacy of social assistance can be measured by the **net income** of people on social assistance **relative to the poverty threshold** (Chart 9)¹. Countries differ substantially in terms of the minimum safety nets they provide to workless households, even relative to the at-risk-of-poverty threshold, which depends on the living standards within each country. Only a few countries (**IE, DK, UK and NL**) provide households with a minimum income and related benefits (for example housing) that are sufficient to lift them close to, or above, the 60% median income threshold, and this is true only for some family types².



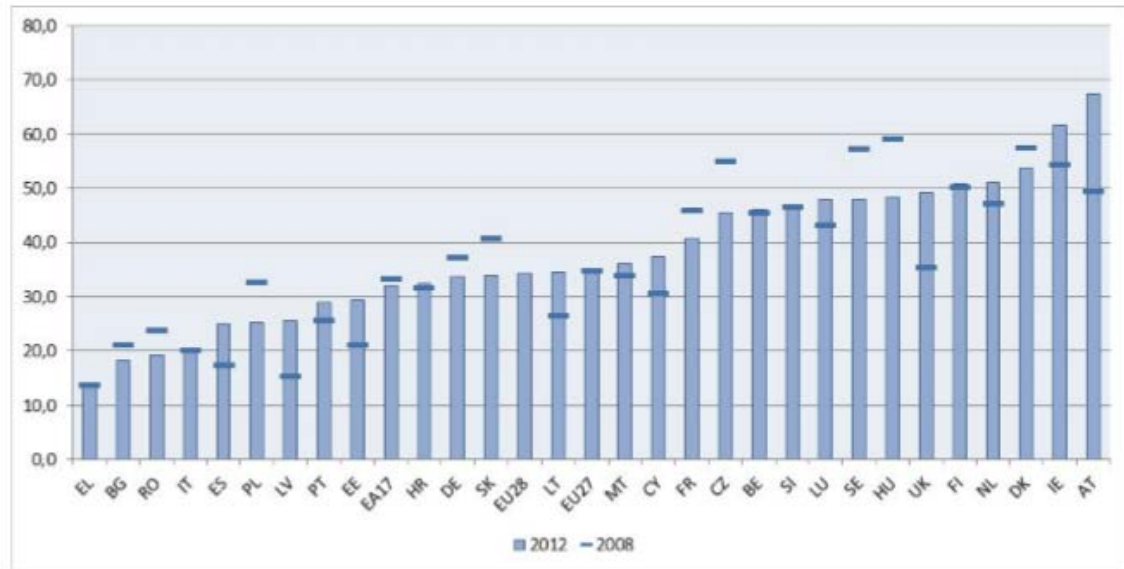
Source: European Commission, *Employment and Social Developments 2013*

The **ability of social transfer to reduce poverty** overall in many ways mirrors the adequacy of benefits and offers yet another element in understanding the link between effective social protection systems and providing support to the households furthest away from the labour market. In countries with low rates of poverty risk for the (quasi-) jobless households, the effectiveness of social transfers is very high – IE, NL, DK, AT, LU, UK (Figure 59), but this is not always the case. For example, countries like MT, BE and SE have relatively good poverty reduction impact of social transfers but with rather high poverty risk for the (quasi-) jobless households.

¹ All graphs, charts and tables in this report have been copied from other reports

² European Commission, *Employment and Social Developments 2013*, p.134

Figure 59. Impact of social transfers (excluding pensions) on poverty reduction, in %, 2012



Source: Eurostat (EU-SILC);

Note: 2011 data has been used for IE; provisional data for BE

Source SPC annual report 2013, p. 105

The **European Social Policy Network (ESPN) report**³ also analyses the effectiveness of MISs by looking at their impact on **poverty reduction**. It finds that, given that most MI schemes fall well below the at-risk-of-poverty (AROP) threshold in most countries, in only a few countries (**IE, NL, and UK**) Minimum Income (MI) provision is assessed as having a strong impact on reducing the number of people at risk of poverty⁴.

Frazer and Marlier divided MI schemes covered in this report into five main types (although the boundaries between these categories are rather fluid): a) simple and comprehensive schemes open to all with insufficient means to support themselves; b) simple and non-categorical schemes but with rather restricted eligibility and coverage; c) general schemes of last resort with additional categorical benefits which cover most people in need of support; d) complex networks of different, often categorical and sometimes overlapping schemes which cover most people in need of support; and e) very limited, partial or piecemeal schemes which are restricted to narrow categories of people and fail to cover many of those in need of support.

The report finds no clear-cut pattern of which types of MISs have the greatest impact on the AROP rate, nor of the types of MISs that have very limited impact. They note however, that MISs more often have an important impact on reducing the **depth of poverty**. In some countries the impact is strong (AT, BE, CY, IE, LU, PT and UK). Again, the report found no relation with the type of MIS that have the greatest impact on reducing the depth of poverty.

Reasons identified in the report for the limited impact on poverty reduction are:

³ Frazer, H. and Marlier, E., Minimum Income Schemes in Europe, A study of national policies, January 2015, p. 26-27

⁴ See annex 2

- The benefits levels are lower than the AROP threshold (a fact in most countries), but also below the absolute poverty line of 40% of median income (e.g. EE, EL, FR, RO)
- The benefits levels are considerably lower than the net minimum wage (e.g. AT, HU)
- Benefits levels fail to sufficiently take into account housing costs (e.g. CZ)
- High levels of non-take-up (e.g. DE)
- Low proportion of Gross Domestic Product (GDP) spent on MI benefits (e.g. BG)

2. Adequacy of minimum income guarantees in- and out-work

Minimum wages act as ‘glass ceiling’ for social assistance. In order to effectively reduce poverty, Member States must therefore fight unemployment traps and raise minimum income packages, as well for working as for non-working households. In their article on the social policy objectives of the European Union (EU) in the framework of the European Semester, **Cantillon et al**⁵ compare the performances of different EU Member States with regards to the adequacy of their minimum income guarantees for jobless and for working lone parent households. To do this, they bring together social indicators related to the level of net social assistance, gross and net minimum wages, compared to the poverty threshold at 60% of the median income, the gross-to-net-effort for minimum wages and the wedge between net social assistance and net income at minimum wage level, thereby showing the incentive for minimum income beneficiaries to take up work.

Based on the combination of these indicators, they distinguish **three types of countries** with regards to their performance on minimum income levels: a group of **high road** countries where net income protection for in- and out-work lone parent households are above the at-risk-of-poverty threshold (**IE and DK only**); a **middle road** group where the guaranteed net minimum income package for working lone parent households exceeds the poverty threshold, but social assistance income protection is inadequate (**UK, CZ, PL, NL, DE and FI**); and a **low road** group of countries where as well in- and out-work minimum income packages are inadequate (all the rest).

Within these groups of countries, significant differences exist with regards to the **trajectories**.

In the high and middle road countries, there is one country, **Ireland**, with relative high minimum wages, high gross-to-net efforts, high work incentives, adequate incomes for working and jobless households. Starting from far lower minimum wages, the UK and the Czech Republic also combine high gross-to-net efforts with substantial financial incentives, but only realize adequate incomes for working families.

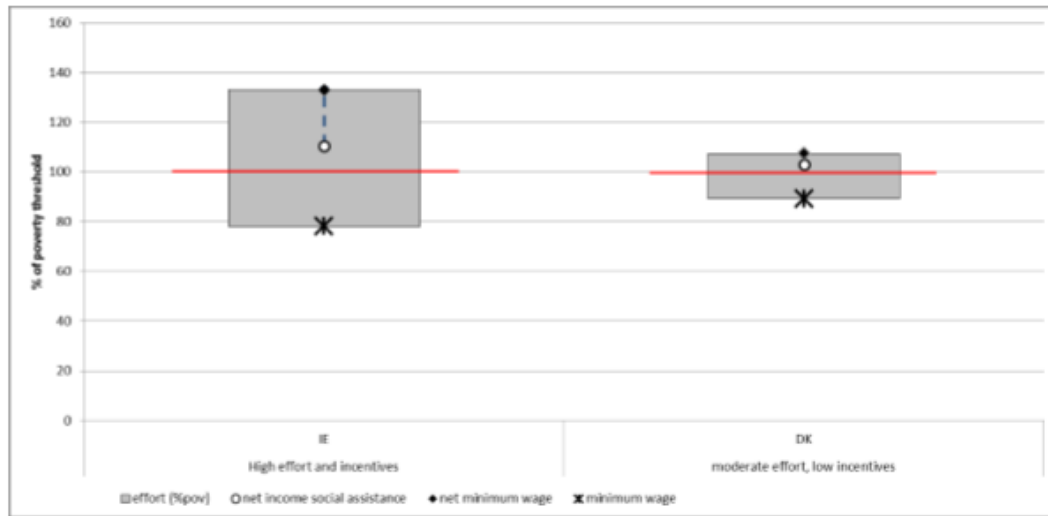
In Poland, a substantial effort tops up a high gross minimum wage to an adequate net disposable in-work income, but this is combined with very low social assistance benefits, leading to very high financial incentives.

Other countries in the high and middle road combine high gross minimum wage, moderate efforts, adequate incomes for working households with low work incentives resulting in a relatively high social floor: this is the strategy pursued in **Denmark**. Less generous variations of this type can be found in the Netherlands, Germany and Finland, where somewhat lower minimum wages are topped up to above the poverty thresholds through modest gross-to-net efforts. Inadequate social assistance benefits leave room for some modest financial incentives.

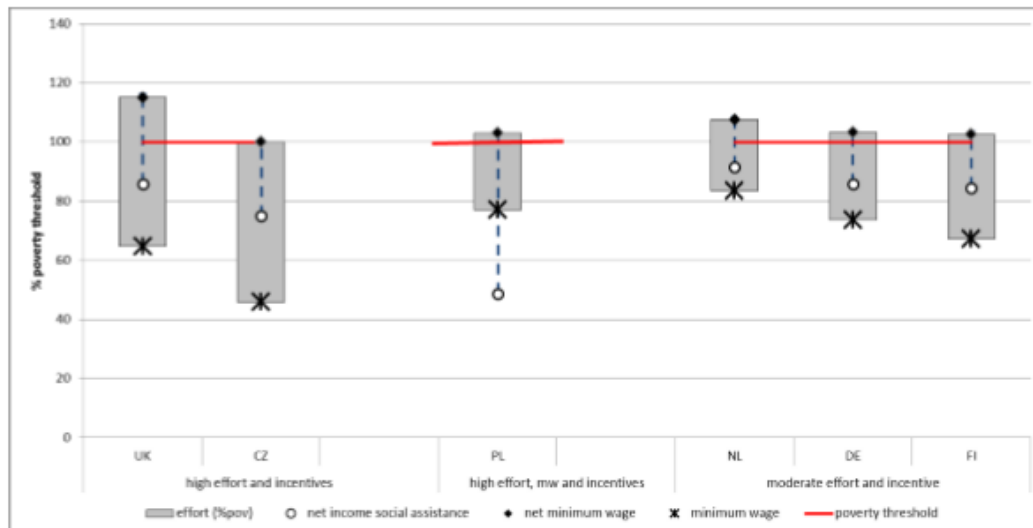
⁵ Cantillon, B., Marchal, S. & Luigjes, C., Decent incomes for the poor: which role for Europe? ImProVE Working Paper No. 15/20 November 2015

Figure 4. Balance of minimum income protection packages, relative to at-risk-of-poverty threshold, lone parent with 2 children, 2012

Panel A. High road: Adequate minimum income protection packages in- and out-of-work



Panel B. Middle road: adequate minimum income package for a working lone parent family, inadequate out-of-work protection

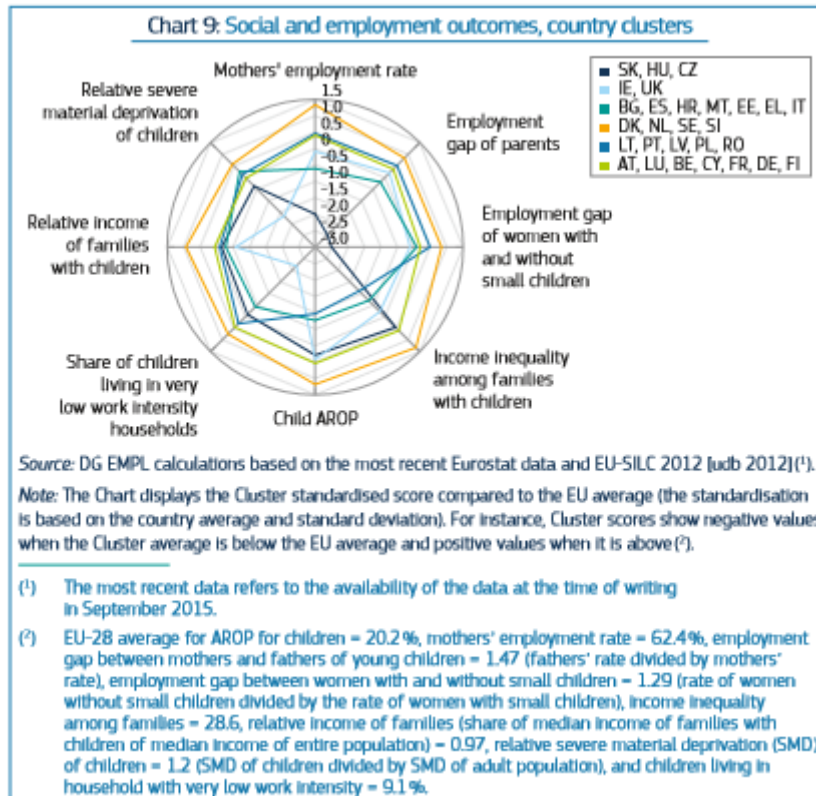


Source: Cantillon, B., Marchal, S. & Luigjes, C., Decent incomes for the poor: which role for Europe?

Based on a cluster analysis using the information on the major social and employment outcomes related to families, **Olivier Bontout, Virginia Maestri and Maria Vaalavuo**⁶ identified some clusters of Member States with regards to their **performances on poverty reduction and employment friendliness**. Their analysis is based on mothers' employment rates, the employment gap between parents, the employment gap between mothers and women without children, children at-risk-of-poverty (AROP), the share of children living in households of very low work intensity, relative severe material deprivation of children (compared to adults), relative income of families with children (compared to total population) and income inequality among families with children (see Chart 9 below). They find that the best outcomes

⁶ Olivier Bontout, Virginia Maestri and Maria Vaalavuo, Efficiency and effectiveness of social protection systems, in Employment and social developments in Europe, 2015, Part 3 chapter 2, p.286

in terms of both low poverty risk and high relative and absolute employment are found in **Sweden, Denmark, the Netherlands and Slovenia**. Austria, Luxembourg, Cyprus, France, Belgium, Germany and Finland also reach good outcomes, but they are more often characterised by mothers' labour market attachment being weaker.



Source: Olivier Bontout, Virginia Maestri and Maria Vaalavuo, *Efficiency and effectiveness of social protection systems*

3. Assessing efficiency and effectiveness of resource allocation through multi-dimensional processes.

A **joint report**⁷ prepared by the **Social Protection Committee (SPC)** and the **European Commission Services** in 2015, analyses the social protection systems in the EU with regards to the effectiveness and efficiency of resource allocation. Out of the five functions that are researched on these issues, the **spending on social exclusion and housing** in the most relevant for the purpose of this paper, although we will also refer to **expenses with regards to family and children**, given the particular concerns the Spanish social protection system in general and the MISs in particular are faced with.

The report defines **effective policies** as those who achieve the desired outcome. With regards to the fight against poverty and along the lines of the social Open Method of Coordination (OMC) this would mean those policies that have a decisive impact on the eradication of poverty. The Europe 2020 strategy measures this on basis of the target on the reduction of poverty and social exclusion. Comparison between the poverty rate before and after social transfers are particularly relevant here.

⁷ Social Protection Systems in the EU: Financing Arrangements and Effectiveness and Efficiency of Resource Allocation, Report joint prepared by the Social Protection Committee and the European Commission Services, 2015

With regards to child poverty for example, the report finds a strong negative correlation with spending on family and child benefits. However, this analysis does not capture the multiple purposes of this type of spending that also wants to enhance parents' capacity to generate adequate income, which goes beyond the focus on poverty reduction through direct transfers.

Efficiency of policies is measured as the ratio between output to input. But again, social spending can have several policy objectives and benefits as input are related to more than one specific outcome.

The report concludes that the complexity of social policies precludes the use of a single framework to assess the effectiveness and efficiency of policy measures. Benchmarking of key input, outcome and contextual factors is seen as more appropriate. The report promotes the use of **radar charts** to reflect complex and multi-dimensional processes. For example, child poverty is related in the charts in function of several indicators such as social transfers, child care provisions, labour market situation, especially of mothers. EU averages are used as benchmark, not to reflect the optimal or desired situation, but to allow comparability between countries. Since the EU average does not necessarily represent a good performance, in the country overviews, the average of the three best performing countries is also indicated. The radar charts do not prove any causal relationship between the indicators, but present a starting point that helps raising questions.

In the following chapter we will document **some best practices from countries** with regards to policy measures that perform best to a **double outcome standard: poverty reduction** (general population and children) and **employment friendliness**. These indicators will be contextualised with data on social expenditure in different areas and assessments of the countries' performances in terms of poverty reduction, based on the country reports of the European Social Policy Network.

But first, we sketch the situation for **Spain**⁸, using this radar chart.

AROP in the general population (22.2% against 17%) as well as child poverty (29.9% against 20.8%) in Spain are considerably higher than EU average. The countries' total expenditure as % of GDP is amongst the lowest at EU level (26.1% against 29%). With only 7.1% of GDP spent on family, Spain is far below EU average (10.4%). Poverty reduction by social transfers is very low compared to EU average (25% against 34.4%); the same is true for child poverty reduction (18.8% against 34.4%). Housing cost overburden of poor is also higher than EU average (48% against 39%); Spain spends less than EU average on housing (0.2% against 0.6%). The population living in jobless households is slightly higher than the EU average (14.3% against 10.3%), but the AROP rate for unemployed people is comparable.

The country overview for **Denmark**⁹ shows that AROP rate and rate of severe material deprivation in the general public are much lower in DK than in the EU at average. DK is one of the best performing countries here. With social spending as % of GDP considerably higher than EU average and expenditure on social exclusion as % of GDP more than double of EU average, the country manages to reduce poverty after transfers with 53.7% compared to 34.4% EU average. With generous total expenditure on social spending and expenditure on family at almost double of EU average, DK manages to reduce child poverty with 58.4% compared to 34.4% EU average. Although DK spends three times the EU average on active labour market policies and 35% of the unemployed are in life-long-learning (against 9% EU average), the country still counts slightly more people living in jobless households than the EU average (11.3% against 10.3%). The employment rate of mothers is high (79.7% against 60.2%)

⁸ See annex 3

⁹ See annex 3

but the unemployment trap for singles is way above EU average (86.6% against 56.1%). AROP amongst unemployed however, is much lower than EU average (26.7% against 46.9%). Worrying is the rate of housing cost overburden of the poor (72.9% against 39% at EU average), although spending on housing in DK is slightly higher than EU average (0.7% against 0.6%).

The **ESPN report for Denmark**¹⁰ points to the Danish debate on the size of MI benefits, with on one side the adequacy of benefits in allowing claimants and their children to participate in the ordinary activities of life and on the other side the work disincentive, especially with regards to benefits that are disproportionately taken up by young persons and by persons of non-Danish descent. The previous parliament adopted a poverty line at 50% of the median income, where persons would be considered poor if they fell below this line for three years, but the new government abolished this poverty line. Minimum income benefits for 4 types of families are well below minimum wages and of unemployment benefits, although they come close for couples and single persons with children.

The report proves that the country puts a lot of emphasis on activation: nearly two out of three MI claimants enter activation. But high marginal effective tax rates, which in Denmark have become known as 'Participation Taxes', are a major problem in providing work incentives. The highest participation tax rate and thus lowest additional income for returning to work is for a MI claimant whose partner is also on MI benefits. In short, the Danish MI system has inbuilt mechanisms that favour the relatively well-off relative to the less well-off.

For **Ireland**¹¹, the country overview shows that the country has a total expenditure that is almost at EU average but poverty reduction by social transfers is much higher (61.6% against 34.4%), than EU average. The country spends considerably more on cash family benefits than the EU average (10.6% against 6.6%) but less in-kind (1.8% against 3.8%). The country manages to book much better results in terms of child poverty reduction (65.2% against 34.4%). However, it has more than double of the population living in jobless households (24.4% against 10.3%) and the inactivity trap for singles is high (76.7% against 56.1%). At the same time, AROP in unemployed people is significantly below EU average (31.8% against 46.9%).

The **ESPN report for Ireland**¹² cites a research carried out by Watson and Maitre (2013)¹³, on evidence available through EU SILC, examining the role of all social transfers in alleviating poverty in Ireland between 2004 and 2011.

According to the SPC annual report 2013¹⁴, this research contributes important insights into the poverty alleviation and income redistribution role of social transfers, using the concepts of poverty reduction effectiveness, poverty reduction efficiency and poverty reduction potential (see Box 1).

Box 1.

Social transfers include income from state means-tested payments (e.g. jobseekers allowance, noncontributory state pension), state non-means-tested payments (e.g. child benefit, jobseekers benefit, contributory state pension) as well as occupational and foreign pensions (e.g. from public or private sector employment).

¹⁰ Jon Kvist ESPN Thematic Report on minimum income schemes, Denmark 2015

¹¹ See annex 3

¹² Mary Daly, ESPN Thematic Report on minimum income schemes, Ireland 2015

¹³ Watson, D. and Maitre, B. (2013) Social Transfers and Poverty Alleviation in Ireland An Analysis of the Survey on Income and Living Conditions 2004 – 2011, Dublin: Department of Social Protection, available at: <http://www.socialinclusion.ie/documents/20131210SocialTransfersandPovertyAlleviationReport.pdf>

¹⁴ Social situation in the EU, SPC annual report 2013, p.45-48.

Market income comes from employment, self-employment, interest and dividends from savings and investments, and property income.

The **market income poverty gap** is the gap between the household's market income and the poverty threshold (i.e. the income below which the household would be deemed poor).

Poverty reduction potential is the aggregate spending on social transfers expressed as a ratio to the aggregate market income poverty gap. > 1.0 amount spent would be enough to bridge the market income poverty gap < 1.0 not sufficient to bridge the market income poverty gap

Poverty reduction effectiveness refers to the extent to which social transfers contribute to a reduction in poverty. It can be measured in terms of a reduction in the poverty rate or a reduction in the market income poverty gap. The second measure is better since it takes account of how far below the poverty threshold people's incomes lie.

Poverty reduction efficiency refers to the proportion of social transfers that contribute to reducing the market income poverty gap.

The report notes the need to assess income support in terms of these three concepts but also against other policy goals such as, for example, encouraging labour market participation. In many cases, it will be necessary to balance the goal of increasing poverty reduction efficiency against other aims of policy. An accurate assessment of effectiveness and efficiency of income support should also take into account the impact across different life-cycle for different groups and household types.

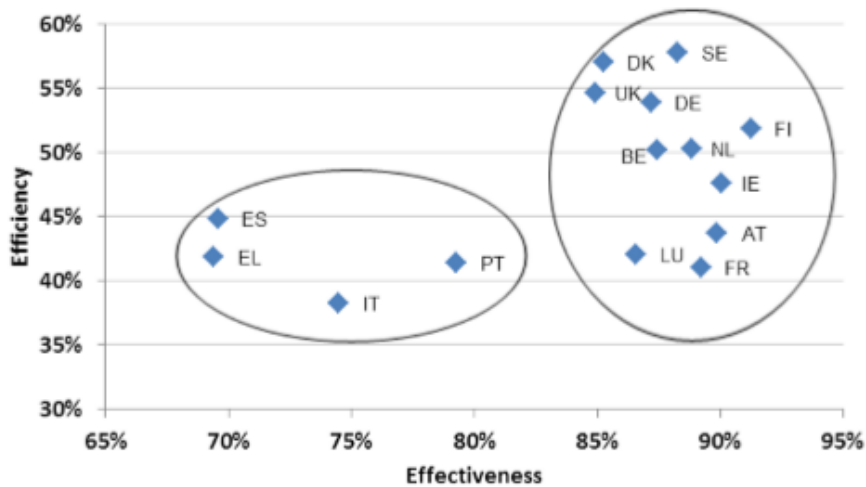
The evidence showed that the researched period was marked by the increasing importance of transfer income to Irish households, with notable changes especially in transfer income as a proportion of total income. The causal process at work here was two-fold: increasing payment rates for social transfers between 2004 and 2009 and a shift in the type of payment received (especially as the economic crisis set in). This research generally highlights the effectiveness of Irish social transfers, in their own right and in terms of improvement over time. The report indicates that social transfers reduced the pre-transfer poverty rate by 53 per cent in 2004, rising to 63 per cent by 2007 and 71 per cent by 2011. The main causal factor was the increasing generosity of transfer payments over the period studied, especially means-tested transfers. The biggest percentage (relative) improvement in poverty reduction effectiveness since 2004 was for children (20 per cent improvement).

According to the 2013 SPC report, the Irish research demonstrates that compared to other EU15 countries, Irish social transfers increased from a relatively lower proportion of income in 2005 (second lowest of the EU15) to a relatively higher proportion by 2010 (second highest). This was partly due to the fall in market income as a result of the recession, but there was also a real increase in the levels of social transfer payment in Ireland up until 2009.

Figure 26 in the SPC report shows the association between poverty reduction effectiveness and efficiency, as defined by the recent Irish research, for the EU15 countries in 2010. Across the EU15 countries, the levels of poverty reduction effectiveness and efficiency tend to be positively associated: countries with a higher level of efficiency also tend to have a higher level of effectiveness.

The SPC report concludes that this suggests that it is possible to design a social transfer system to achieve relatively high levels of both poverty reduction effectiveness and efficiency.

Figure 26. Effectiveness and efficiency of social transfers in alleviating poverty with respect to the poverty gap in EU15, 2010



Source: EU-SILC micro-data (to 2010). Unit of analysis = individuals. From *Social Transfers and Poverty Alleviation in Ireland* (2013) http://www.socialinclusion.ie/SocialTransfersandPovertyAlleviation_000.html

Source: SPC report 2013

In 2010, IE was towards the top of the range of EU15 countries in poverty reduction effectiveness of social transfers (90%). This was an improvement on 2005, when Ireland was only in the middle of the EU15 range. In 2010, the poverty reduction efficiency of social transfers in IE was towards the middle of the EU15 range (48%), having fallen somewhat since 2005.

The **ESPN report for Ireland** also cites a recent microsimulation (Savage et al 2014)¹⁵, suggesting that more than 7 out of 10 claimants of Jobseeker’s Allowance, which is the most current benefits under the Irish complex Minimum Income Schemes, have a replacement rate of 70%, showing that work pays more than welfare for the majority of the unemployed. On the other hand, the research showed that some 38,000 of the unemployed were facing a very high replacement rate (of over 90 per cent), due to the Rent Supplement (a benefit for people on social welfare schemes to help with rental payments in the private sector). Unemployed individuals in jobless households are more than 2½ times more likely than people not living in a jobless household to face a high replacement rate (over 70 per cent) and 3½ times more likely to face a very high replacement rate (over 90 per cent). This is partly due to high numbers of children in jobless households. The new Back to Work Family Dividend is a new innovative measure, introduced in April 2015, that increases the financial incentives for lone parent and long-term jobseeker families with children to take up employment, basically allowing them to retain their child-related social welfare payments for up to two years upon ending their claim and entering employment or self-employment. It is part of a more broad-based move in Ireland to increase incentives for benefit recipients to take up employment and to treat lone parents as workers or potential workers.

¹⁵ Savage, M., Callan, T., Keane, C. and Kelly, E. (2014) *Welfare Targeting and Work Incentives*, Budget Perspectives 2015, Paper 3, Dublin: Economic and Social Research Institute, available at: <https://www.esri.ie/UserFiles/publications/JACB201239/BP201503.pdf>

The **Netherlands**¹⁶ also provide an example of relatively successful policies. The AROP rate is amongst the lowest in the EU (10.1% against 17% EU average). With total expenditure on social spending in general and on social exclusion in particular amongst the highest in the EU (32.3% against 29%), the country has a good record on poverty reduction by social transfers. Although NL spends much less than EU average on family and children, as well in-kind as in cash, the poverty reduction with children is considerably higher than the EU average (44.5% against 34.4%). The number of jobless households is much lower than EU average (8.9% against 10.3%). However, 46.6% of poor people face housing cost overburden (against 39% EU average). NL spends less on housing than EU average (0.4% against 0.6%).

The **ESPN report for the Netherlands**¹⁷ notes that in general, the net income packages of social assistance (including housing benefits and child allowances) reach the at-risk-of-poverty threshold (60% median threshold). Analyses of the CSB-Minimum Income Protection Indicators dataset (CBS-MIPI) show that in 2012 this was the case for single persons (and single parents). Couples and especially those with two children fell behind (respectively 86% and 72% of the poverty threshold). Gross median income figures provided by Statistics Netherlands (CBS) indicate that most of the benefit levels reach the at-risk-of-poverty threshold. MIPI data do not include care allowances and municipal regulations, that may help benefit levels to rise above the threshold. In relation to the at-risk-of-poverty threshold, the ESPN report concludes that in general the Dutch MI scheme is adequate.

The report states that no less than a third of the benefit recipients participated in a reintegration programme in 2013. There are large differences in the outflow to work after completing the reintegration programme. The outflow to work is especially lower among long-term welfare recipients and immigrants. Not much is known yet about the net effectiveness of reintegration. The first experimental studies show small net effects. The largest net effects are visible with regard to programmes that are deployed at the start of the process.

Although the ESPN reports concerned judge that minimum income schemes in these countries are much less adequate in terms of their capacity to lift people out of poverty, based on the SPC and Commission's joint report following countries are worth mentioning.

In **Finland**¹⁸, AROP rate (13.2% against 17%) and severe material deprivation (2.8% against 11.8%) are far below EU average. The country spends slightly more on social expenditure (30% against 29%); the poverty reduction capacity after social transfers is much higher (50.9% against 34.4%). Expenditure on family (14.5% against 10.4%) is considerably higher and the country is much more successful in reducing child poverty (63% against 34.4%). Employment rate of mothers and jobless households are comparable to EU average.

The **ESPN report for Finland**¹⁹ notes that, although there have been slight improvements of the amounts, the social assistance benefit reaches only around 40% of median income, after having attained less than the absolute poverty threshold during several years. Compared to the Finnish reference budget lines, social assistance remains largely 30% below these calculations. To combat budget deficits, the government has suggested cuts in benefits and the freezing of indexation, which would yield substantial savings in public spending. The freezing of the indexation of all basic benefits (except social assistance) would increase the gap between the poverty threshold and the level of basic benefits. The authors ask

¹⁶ See annex 3

¹⁷ Marieke Blommesteijn, Luuk Mallee and Bob van Waveren, ESPN Thematic Report on Minimum Income Schemes, The Netherlands 2015, p.17

¹⁸ See annex 3

¹⁹ Olli Kangas and Laura Kalliomaa-Puha, ESPN Thematic Report on minimum income schemes Finland 2015

themselves what would happen in the distribution of labour between social assistance (not frozen) and other basic security benefits (frozen). According to them, the most probable scenario is that social assistance would compensate for the inadequate level of other basic benefits. Gradually this trend would change the whole characteristic of the Finnish welfare system: there could be a gradual shift towards a more selective welfare state. Another scenario could be that this situation leads to a streamlining of basic benefits, in line with the experiments on basic income planned for 2017-2018.

In **Sweden**²⁰, social expenditure is slightly above EU average (29.6% against 29%), but social transfers are much more successful in reducing poverty in general (48.5% against 34.4%). AROP in Sweden is much lower than EU average (14.1% against 17%); material deprivation is almost non-existing (1.3%). Expenditure on family is considerably higher than EU average (13.4% against 10.4%), especially in-kind. Employment rate of mothers (74.1% against 60.2%) and childcare use of under 3 year olds (51% against 30%) is much better than EU average. There are very few jobless households in SE compared to EU average (5.7% against 10.3%), but the inactivity trap for singles is very high (69.7% against 56.1%).

The **Swedish ESPN report**²¹ calculated the net income from social assistance (including housing benefits and child allowances) in relation to the 60% median income threshold for 4 household types in Sweden. The report concludes that the adequacy of Swedish social assistance is quite poor when evaluated against the AROP threshold. Social assistance is far below the AROP threshold for all model family types; this varies between 57% for couples without children to 70% for single parents with one child. According to the author it is unlikely that an inclusion of budget items left out of the nationally uniform scale rates would lift model families above the 60% poverty threshold. Social assistance adequacy rates declined between 2004 and 2010, since when adequacy rates have been more stable, or have even increased somewhat for couples with children, but only due to a decrease of median income in the crisis. Single persons on unemployment insurance benefits are generally better off than those receiving social assistance. Both social assistance and unemployment insurance benefits have suffered a gradual erosion over the last two decades.

In the **UK**²², although total social expenditure is way below EU average (27.3% against 29%), the country is more successful in poverty reduction (49.2% against 34.4%). AROP rate (16.2% against 17%) and severe material deprivation (7.8% against 9.9%) are below EU average. UK spends less on family (7.1% against 10.4%), as well in cash as in-kind, but the country is more successful in reducing child poverty (58.5% against 34.4%). But UK has more jobless households than EU average (13% against 10.3%).

The **ESPN report for the UK**²³ shows that out-of-work benefits for couples with two children have improved in real terms since 1988 but have remained flat since 2008. As a percentage of average earnings they improved after 1998 but have been flat since 2011. The real value for a single person has been flat since 2004, and has fallen in comparison with average earnings. Since 2014 minimum income benefits have been frozen and will be frozen for a further three years. As a result, these benefits will fall in value in real terms and as a percentage of average earnings. The authors calculated the social assistance benefits for 4 model families as a percentage of the 60% of median income threshold and find that it reaches between 47% for couples without children and 75% for couples with children. At the same time, minimum wages are also slightly below the poverty threshold for all family types with one fulltime wage-earner. However, there are no financial impediments to take up work,

²⁰ See annex 3

²¹ Kenneth Nelson and Johan Fritzell, ESPN Thematic Report on minimum income schemes, Sweden 2015

²² See annex 3

²³ Jonathan Bradshaw and Fran Bennett ESPN Thematic Report on minimum income schemes, United Kingdom 2015

as net income for out-of-work never get close to minimum wages. The needs of children are met by child benefits (non means-tested) and child tax credit (for low incomes, both in and out of work).

Although total social spending in **Slovenia**²⁴ is considerably lower than EU average (25% against 29%), the AROP rate (13.5% against 17%) and material deprivation indicator (6.6% against 9.9%) are far below EU average. Poverty reduction after social transfers is high (46.6% against 34.4%). Expenditure on family is slightly higher than EU average (11.5% against 10.4%), entirely due to expenditure in cash, but SI is particularly successful in reducing child poverty (47.7% against 34.4%). AROP for children is low (13.5% against 20.8%). Childcare use below 3 years is high (37% against 30%) and the employment rate for mothers is amongst the highest in the EU (81.9% against 60.2%).

However, the **ESPN report for Slovenia**²⁵ notes that minimum income stays well below the at-risk-of-poverty threshold: for a single person it stands at about 45% of its value.

Finally, the following table²⁶ gives an interesting overview of countries' performances on indicators related to poverty.

²⁴ See annex 3

²⁵ Stropnik, N., ESPN thematic report on minimum income schemes, Slovenia, 2015, p.12

²⁶ European Commission, Employment and Social Developments in the European Union 2015, p.320

Table A.5.: Poverty and inequality, country clusters

	AROP total population	Share of family benefits of family disposable income	Income inequality among families	AROP children	Children living in households of very low work intensity	Relative income of families (median family income / total median income)	Relative severe material deprivation of children (child SMD/adult SMD)
AT	18.8	14.3	24.7	18.6	6.3	0.93	1.68
CY	27.8	6.4	26.9	15.5	5.1	0.99	1.21
FR	18.1	9.2	28.4	18.0	6.5	0.96	1.25
BE	20.8	10.9	24.9	17.2	13.2	1.02	1.10
LU	19.0	15.5	27.9	23.9	3.7	0.87	1.50
DE	20.3	13.4	25.6	14.7	6.7	1.01	1.06
FI	16.0	11.9	23.0	9.3	5.9	1.02	0.69
LT	30.8	8.2	31.5	26.9	9.2	1.00	1.19
PT	27.5	3.8	33.2	24.4	8.4	0.95	1.35
LV	35.1	8.5	36.7	23.4	10.2	1.02	1.07
PL	25.8	4.7	31.2	23.2	4.5	0.94	0.99
RO	40.4	10.4	34.7	32.1	5.3	0.89	1.25
SE	16.4	11.3	21.5	15.4	5.7	1.00	1.46
NL	15.9	6.9	24.0	12.6	6.7	0.98	0.88
DK	18.9	6.0	23.1	8.5	5.7	1.07	1.03
SI	20.4	11.7	22.1	14.7	3.4	1.01	0.88
BG	48.0	8.2	34.0	28.4	17.2	0.98	1.09
ES	27.3	0.9	35.1	27.5	12.3	0.90	1.46
EL	35.7	1.9	35.3	28.8	7.5	0.86	1.18
HR	29.9	9.2	29.0	21.8	15.9	0.98	0.92
EE	23.5	15.1	32.2	18.1	7.0	1.07	0.91
MT	24.0	8.2	25.1	24.0	10.4	0.95	1.31
IT	28.4	3.2	30.8	24.8	7.1	0.93	1.12
IE	29.5	20.2	27.6	16.0	24.0	0.97	1.56
UK	24.8	14.7	31.5	18.9	15.4	0.90	1.68
CZ	14.6	7.8	25.5	11.3	6.6	0.98	1.14
HU	33.5	19.8	28.5	23.2	15.5	0.93	1.40
SK	19.8	8.4	25.7	20.3	6.2	0.97	1.35
EU-28	24.5	9.7	28.6	20.2	9.1	1.0	1.2
EA-19	24.1	9.4	28.5	19.9	8.4	1.0	1.2

Sources: Eurostat (most recent data) and DG EMPL calculations based on EU-SILC 2012 [udb 2012]^(*).

(*) The most recent data refers to the availability of the data at the time of writing in September 2015.

II. Austria: example of a country with decentralised level of governance

In most countries, policy decisions about MI schemes are made at national level. In a few cases decisions are made jointly at national and local level and in a few cases decisions are made exclusively or almost exclusively at local level. In more than half of countries in the EU, responsibility for delivery of MI benefits is devolved to the local level and in about a third of countries responsibility is shared between the national and local levels. But there is one country that particularly stands out and that is Austria: although the competence to legislate on and to implement MISs still remains at the regional level, the national level together with the regions reached an agreement on basic standards, resulting in a strong degree of coordination and streamlining of MISs across the country.

Before 2010, the social assistance laws were exclusively in the responsibility of the federal provinces (*Länder*), resulting in nine different social assistance acts which vary in terms of eligibility criteria, benefits and structures of organisation and financing²⁷. Generally, only claimants with Austrian citizenship were entitled without restrictions. Apart from regulations

²⁷ Fink, M., Minimum Income Schemes, A Study of National Policies, Austria, University of Vienna, April 2009

regarding citizenship, claimants had to have their regular residence within a respective federal state. As **eligibility condition**, a **threshold for residence** of at least three months applied in the case a recipient moves from one to another federal province. The most important social assistance benefits were calculated on the basis of so-called reference rates which differed from one federal province to the other. Each federal government decided on reference rates by a legal act. This resulted in strongly divergent basic amounts.

Table 1: Social assistance reference rates 2009 in EUR / month (basis 01.01.2009)

	Sole recipients ("single")	Main recipients ("head of household")	Co-recipient (not entitled to family allowance)	Co-recipient (entitled to family allowance)
Burgenland	473.60 534.50 ¹⁾	391.90 452.80 ¹⁾	285.90 335.60 ¹⁾	140.30 190.00 ¹⁾
Carinthia	506.00 ³⁾ 556.60 / 581.90 / 657.80 ⁴⁾	379.50 430.10 / 455.50 / 531.30 ⁴⁾	379.50 430.10 / 455.50 / 531.30 ⁴⁾	151.80 ⁵⁾ 202.40 ⁵⁾
Lower Austria	532.30 362.40 ²⁾	467.50	257.30	144.30
Upper Austria	569.50/424.30 ²⁾ 590.00 ¹⁾ /448.00 ²⁾	514.70 536.00 ¹⁾	333.90 360.00 ¹⁾	160.40
Salzburg	464.50	418.50	268.00	155.50
Styria	540.00	492.- ²⁾	329.00	166.00
Tyrol	459.90	393.50	273.70	152.90
Vorarlberg	514.50	432.00	275.50	159.80
Vienna	454.00 ³⁾ 733.00 ¹⁾	352.00 549.50 ¹⁾	352.00 549.50 ¹⁾	135.00

Source: Ministry of Work, Social Affairs and Consumer Protection (*Bundesministerium für Arbeit, Soziales und Konsumentenschutz*).

- 1) Higher reference rate for "permanent recipients" (in particular persons incapacitated for work, indigent persons after statutory retirement age).
- 2) Lower rate for persons who per se are sole recipients and live in a common household with family members who are not obliged to pay maintenance (e.g. siblings).
- 3) Main recipients who are single parents.
- 4) Increased reference rate for three groups of persons: +10 % for people incapacitated for work, +15 % for persons older than 60 years if they are not entitled to old-age pension and have raised at least one child, +30 % in case of increased family allowance for one person (which is granted for a child in case of disability).
- 5) Reference rates for children are staged according to age: under 10 years of age: EUR 151.80, over 10: EUR 202.40

Source: Fink, M., *Minimum Income Schemes, A Study of National Policies, Austria*

As of 2010, the Austrian *Bedarfsorientierte Mindestsicherung* (Guaranteed Minimum Income or GMI) replaces the earlier MI scheme, called *Sozialhilfe* (Social Assistance)²⁸. The GMI is the result of lengthy negotiations between the national state and the federal provinces, which started in 2007. In 2010 the national government and the federal provinces (*Bundesländer*) agreed on a §15a treaty which outlines the most important features and basic principles of the GMI. In each of the nine federal provinces specific legislation defines details of the GMI

²⁸ Fink, M., ESPN Thematic Report on minimum income schemes, Austria, University of Vienna, October 2015

for that federal province. It is important to note that the replacement of social assistance by GMI did not lead to a true harmonisation of the minimum income schemes of the federal provinces, but resulted in more coordination by defining **minimum standards**. The **legislative responsibility** for decisions on GMI remained at the **federal provinces level (Länder)**. The federal provinces are also responsible for implementing the GMI scheme.

In most federal provinces the GMI is **administered by the welfare offices** within the so-called district commissions (*Bezirkshauptmannschaft*). Within GMI, the above mentioned treaty sets minimum standards for cash benefits which must be granted. The legislation of the federal provinces may define higher standards. This applies especially for child benefits. At the same time, GMI benefits are paid on a rights basis (i.e. according to fixed criteria) and benefit claimants have the right to receive written notification if their application is rejected. In addition, benefit claimants can lodge an appeal against decisions by the welfare offices.

Since the GMI remains the responsibility of the nine federal provinces, where specific laws set its details, **some differentiation** exists between federal provinces regarding the more detailed rules and regulations applied. The following paragraphs describe the basic principles of the GMI, as determined within the above mentioned §15a treaty.

The 15a treaty defines **minimum benefit levels** which have to be met by the legislation of all federal provinces. The minimum benefits are based on the monthly "equalisation supplement reference rate" (*Ausgleichszulagenrichtsatz*), defining the minimum benefit under social pension insurance. This leads to the following minima:

Table 1: GMI minimum benefit levels according to the 15a treaty, incl. and excl. 25% "housing allowance"; granted 12 times per year

Attributes of person	Incl. 25% "housing allowance"		Excl. 25% "housing allowance"	
	Weighting / % of the ESRR*	Net benefit in EUR per month (2015)	Weighting / % of the ESRR*	Net benefit in EUR per month (2015)
Single persons living alone and single parents living with underage children entitled to maintenance.	100%	827.80	75%	620.85
Adult persons, living in a joint household with other adult persons (matrimony, life partnership, shared flat).	Each 75%	620.85	Each 56.25%	465.64
As from the third adult person entitled to benefits, if this person is entitled to maintenance vis-à-vis another person in the common household.	Each 50%	413.90	Each 37.5%	310.42
Underage children entitled to family benefit: for the eldest three children; each for additional children entitled to family benefit.	Each 18%	149.00	Each 13.5%	111.75

* ESRR= Equalisation supplement reference rate within old-age insurance (=EUR 827.80 net per month in 2015).

Source: Fink, M., ESPN Thematic Report on minimum income schemes, Austria

Eligibility conditions for the GMI are the following:

There are no **age** limitation.

For people without Austrian **citizenship** specific rules apply. Citizens of the European Economic Area (EEA) can only get GMI if they are employed or if they have been living in Austria for a minimum of five years. Citizens of other countries (not EEA) usually must have had legal residence in Austria for at least five years. Asylum seekers do not have access to GMI, but recognised refugees and persons granted subsidiary protection status have.

Employment status: GMI covers people in employment as well as those out of work. Almost every kind of additional income is subject to a “marginal tax rate” of 100%, as the GMI does not offer a model of gradual tapering off of benefits. Here, only one minor exception applies. 15% of earned income is not deducted from the GMI benefit in cases where a person has been unemployed and receiving GMI for at least 6 months or if he/she takes up a job for the first time. This exemption is granted for a period of 18 months, and amounts to 15% of net income and a minimum of 7% (EUR 58) and a maximum of 17% (EUR 141) per month of the net equalisation supplement reference rate for singles. Given this rather low amount exempted, the additional incentive this measure provides to take up a job appears to be rather limited. Furthermore, it does not address the rather large group of people receiving GMI benefits as a top-up to low income from gainful employment.

Claimants must be willing to work. There are a few exceptions. Recipients of GMI must also take part in active-labour-market-policy-measures offered and have to prove they are committed to job-search programmes and activities.

Income/asset status: Claimants are only eligible for GMI if they are neither able to raise the resources for basic subsistence through their “own efforts” (work, use of own income, assets and property), nor through entitlements to social insurance or other priority benefits (principle of subsidiarity).

GMI benefits are **not time limited** and remain available as long as eligibility conditions are met.

To assess the **adequacy of the GMI**, the following table provides benefit levels for three federal provinces, namely Carinthia (which only provides minimum benefits as defined in the 15a-agreement) and Vienna and Upper Austria, the two federal provinces with the highest benefit.

The level of GMI-benefits is always considerably lower than the at-risk-of poverty threshold, varying between 63% and 78% of it, depending on the federal province and the household composition. When universal family benefit and child tax credit (which is universally granted as a negative tax) are taken into account the benefit level of GMI increases to between 79% and 85% of the at-risk-of poverty threshold for a two-adult household with two children aged below 14. No other official benchmarks of adequacy – like reference budgets or national minimum subsistence benchmarks - exist in Austria.

The at-risk-of-poverty rate is not reduced by the existence of GMI. This can be explained by the fact that the benefit levels of GMI are generally lower than the at-risk-of poverty threshold (even if additional family cash benefits are taken into account). However, GMI is likely to reduce the depth of poverty considerably.

Unfortunately, no recent and detailed assessments are available on the issue of **take-up** regarding the GMI. Before 2010, the results of research on take-up showed a substantial differentiation across federal provinces.

Table 2: GMI benefit levels (incl. housing benefit within GMI) in three federal provinces; monthly benefits (granted 12 times per year); 2015

	GMI benefit	At-risk-of-poverty threshold*	Benefit as % of at-risk-of-poverty threshold	Minimum wage, net**	Benefit as % of minimum wage
Vienna					
single-adult households with no children	827.82	1161	71%	1279.30	65%
2-adult households with no children	1241.74	1741	71%	1327.40	94%
2-adult households with 2 children below 14	1688.76	2437	69%	1327.40	127%
incl. universal family benefit & child tax credit***	2072.46	2437	85%	1711.10	121%
Upper Austria					
single-adult households with no children	903.20	1161	78%	1279.30	71%
2-adult households with no children	1272.60	1741	73%	1327.40	96%
2-adult households with 2 children below 14	1688.20	2437	69%	1327.40	127%
incl. universal family benefit & child tax credit***	2071.90	2437	85%	1711.10	121%
Carinthia					
single-adult households with no children	828.00	1161	71%	1279.30	65%
2-adult households with no children	1242.00	1741	71%	1327.40	94%
2-adult households with 2 children below 14	1540.08	2437	63%	1327.40	116%
incl. universal family benefit & child tax credit***	1923.78	2437	79%	1711.10	112%

* 60% of the median of the national equivalised household income.

** There is no general minimum wage in Austria. Minimum wages are subject to collective agreement and vary to a large degree. The numbers presented here are the minimum wages within the collective agreement of the trade sector. This is a comparatively important collective agreement with one of the lowest minimum wages of all collective agreements. For the 2-adult household the calculation base is a single full-time earner.

*** Family benefit & child-tax credit are universal benefits in Austria. They should therefore be taken into consideration when assessing the adequacy of GMI.

Sources: EU-SILC 2014; collective agreement of the trade sector (2015); own calculations.

Source: Fink, M., *ESPN Thematic Report on minimum income schemes, Austria*

III. Simplification of benefit systems and integrated service delivery (one-stop-shops)

The European Commission's Social Investment Package (SIP) highlights the importance of the improvement of access to social services, especially for disadvantaged groups, in particular through integrated service delivery. A study by the **Budapest Institute**²⁹, commissioned by the EC, investigates the literature and practice of integrated social service delivery (one-stop-shops), reviews the evolution of the main approaches to integration and identifies best practices in Europe.

This study reviewed several reform initiatives of vertical and of horizontal integration reform. Based on these initiatives, the authors considered the drivers and barriers of service integration reforms in each of the four main stages of the policy making process.

²⁹ Ágota Scharle, Literature review and identification of best practices on integrated social service delivery (one-stop-shops), Part I, Budapest Institute, March 2015

According to this study, the main lesson concerning the first stage of the policy making cycle relates to the importance of political institutions. Service integration is a complex reform that typically affects several stakeholders. The existing examples of successful initiatives suggests that there are two political constellations in which governments can carry through their reform agenda. First, if governance is centralised and there are relatively few strong veto players in the political system, as for example in the UK. Second, in a less centralised (e.g. federal) system, or if there are strong veto players, reform is only possible if there is a wide crossparty consensus over the goals and also in the main policy solutions (e.g. Austria). The main lesson concerning the policy design stage is to keep the reform manageable in terms of size and complexity. The reform process is easier to manage and more likely to succeed if changes are gradual or are limited to a few well selected areas, especially if the planning and management capacities of public administration are limited. The success of integration reforms also depends on the performance and cooperation of regional/local level agents. This requires well designed administrative and financial incentives. Countries with a strong regional government may rely on alternative sources of political accountability (e.g. Austria). The success of the implementation stage clearly depends on the quality of planning, the pace of the process and especially on the design of incentives and the capacity building for the main actors affected by the reform. The study further refers to the fact that in successful reforms, the monitoring of processes and outcomes, which starts in the pilot phase and continues after the full upscaling of the reform, is of crucial importance, since it helps detect and correct problems before national implementation and support gradual improvement and adjustment.

Based on their analysis of country case studies, the authors recommend that Member States looking for inspiration should consider examples that were implemented in an institutional context similar to their own. In the following paragraph, a few examples are documented of simplification and of integrated services delivery that could be interesting for the Spanish case.

A country case study on best practices on integrated social services delivery³⁰ shows that the **Austrian reform plan** also had an institutional element: the transformation of the public employment services (AMS) offices into **one-stop-shop offices**. In this set-up, AMS offices would have taken on the role of a single gateway for unemployment and social assistance recipients and municipalities would have maintained only the marginal role of paying out the MI benefits. The provision of all other support services would have been taken over by the local AMS one-stop-shop office. Though the one-stop-shop element of the reform was aborted early on in the negotiation process between the federal state and the states, because municipalities did not want to lose their role of being the responsible institution for social assistance provision, more intense and cooperative interaction patterns have evolved between the AMS and the regional authorities and the law still prescribed the cooperation between AMS and municipalities.

The country case study refers to an ex-post evaluation in which the authors compare MI recipients having an AMS contact (assessed as fit-for-work) with long-term unemployed but insured clients. The evaluation emphasises the fact the MI clients are in general further away from the labour market than is the usual clients of the AMS. There are indications that inclusion of the MI clients in activation services (mostly into support and counselling programmes), as well as integration probability into the labour market increased. It is also important to note that in many cases, MI clients become job-ready after a certain period time participating in

³⁰ Anna Orosz, Horizontal service integration in Austria, in Literature review and identification of best practices on integrated social service delivery, Part II - Country case studies, Budapest Institute, March 2015

one or the other activation programme. They find that in most of the regions, cooperation between the AMS and the municipalities has intensified, though the degree of integration is very different state by state. Armutskonferenz however, claims that the MI system is by no means more standardised than the previous Sozialhilfe, differences across states in benefit rates, treatment and eligibility still differ to a large extent, which according to the NGO can by no means be justified. Despite the failed one-stop-shop reform, the Austrian case demonstrates that institutional cooperation can be strengthened in the absence of a real merger and that it can lead to improved labour market services not only for the unemployed but also for people with more complex barriers to re-employment.

In the country case study for **Finland**³¹ is shown that, between 2004 and 2007, LAFOS (Labour Force Service) centers were established, to serve as a permanent structure of integrated services. The main objective was to provide multiprofessional services for the long-term unemployed and people with multiple disadvantages in finding their way in the labour market (e.g. skills, health, social problems). LAFOS Centres also aim to create intermediate labour markets to serve as a 'bridge' between unemployment and the open market through e.g. temporary work, subsidised work, work in social enterprises or voluntary organisations. The more efficient coordination between services provided by the state-run local employment offices and the municipality-run social services is also a key feature to provide better targeted individualised services. The underlying rationale of LAFOS Centres is to provide more suitable services for the long-term unemployed by combining employment, social welfare and health services and also a wide range of additional services that help in tackling individual problems in finding a job. The foundation of LAFOS Centres was not formulated in any legislation, but was organised on a contractual basis. Establishment was voluntary and was based on contracts between the employment authorities and municipalities at the local level. Both parties provided the same number of workers and shared half of the expenditures, while the other half was financed by the Ministry of Labour. An evaluation study about the performance of the LAFOS Centres in 2008 found that the most positive experiences can be seen on the organisational level of LAFOS Centres. Staff of the Centres were eager to utilize the flexibility and wider ranges of services to tackle the problem of clients. Individual employability factors (e.g. competencies, skills, qualifications) were taken into account more than in the PES offices. Clients reported that they had a better understanding about their own situation. The ultimate goal of LAFOS Centres was to reduce structural unemployment through the improved employability of the long-term unemployed. In fact, participation rates in activation measures rose substantially, but the activation programmes did not seem to be successful in creating paths to the real labour market.

In the literature review of service integration and coordination between employment and social services, such as child benefits, rehabilitation, social assistance, the **Norwegian** New Welfare and Labour Service (NAV) reform is usually cited as one of the comprehensive initiatives that resulted in the greatest level of service integration and an architecture that can be described as 'whole system working'³². One reason for that is that it was one of the most radical coordination initiatives adopted in Europe, by completely re-designing the organizational structure of the provision of benefits and employment services and introducing a single gateway for all target groups, considered to be a rare example within Europe as most other similar European initiatives tend to have a less encompassing scope in terms of range of services and/or benefits, target group or institutional setup. Unlike other examples, the NAV-reform integrated all functions for all client groups and intended to achieve

³¹ Lili Márk, horizontal integration in Finland, in Literature review and identification of best practices on integrated social service delivery, Part II - Country case studies, Budapest Institute, March 2015

³² Katalin Bördős and Lili Márk, horizontal integration in Norway, in Literature review and identification of best practices on integrated social service delivery, Part II - Country case studies, Budapest Institute, March 2015

coordination by the highest level of integration: complete merger of different agencies and integration of central government ministries and policies. In 2006, the employment services and national insurance administrations were merged and one-stop-shops for social welfare were created at the local level. The main goals of the reform were threefold: 1) to increase the employment rate and reduce the number of persons on welfare schemes like unemployment, sickness and disability benefits, social assistance (welfare-to-work); 2) to create a more coherent and efficient administrative apparatus (efficiency improvement), and 3) to make the administration more service-oriented (user orientation). One-stop-shop reforms like the NAV reform are also expected to increase take-up rate of benefits and services for users through simplification and a more user-friendly approach, thus can have an indirect effect on employment as well if human capital is successfully strengthened through employment and social services. The partnership model introduced by the NAV reform involves dual accountability relationships: vertically to the central government, horizontally to the local government authorities. The partners of the agreement are physically located at the same office but the social services are subject to local authorities while the employment and insurance services are subject to the regional NAV offices that are part of the central state administration. However, the complexity of the reform was definitely a hindering factor in terms of implementation. The results of an extensive evaluation suggest that on the short run (i.e. the first few years after the implementation until 2010), the reform did not have any significant positive impact on users' employment chances, and neither had reduced the number of social assistance recipients. But there are indications that the effect of NAV improves slightly over time, as large reforms like the NAV reform usually have large initial costs for users but can have larger long-term returns.

In **Ireland**, under the Pathways to Work strategy, launched in 2012 and further improved in 2015, social welfare and public employment services have been merged in one-stop-shops (INTREO), linking benefit entitlements more closely with activation services. However, the **ESPN report**³³ for Ireland signals that, because of the categorical nature of minimum income provision in Ireland, only some of the schemes have a relationship to inclusive labour market goals and provisions. Not alone are the programmes targeted on particular groups but there is a sharp divide between those deemed eligible for work and those not. Since INTREO generally focuses on activating those on the Jobseeker Allowance, there is an exclusion of people on other working age welfare payments. These recipients may voluntarily wish to access the labour market and other supports available through these services but there is no targeting of or enabling them to do so and indeed no capacity that is reserved for them. The report concludes that it would be a positive development were such services opened up to these recipients of minimum income schemes.

The **ESPN report** on minimum income for the **Netherlands**³⁴ describes a case of simplification of the system of social assistance for people of working age who are able to work and on changes that occurred after 2009. Social assistance is mainly covered by the Participation Act which replaced several previous acts (the Work and Social Assistance Act, the Sheltered Employment Act and part of the Disablement Assistance Act for Handicapped Young Persons) in 2015 and integrated them into one system for people with some employability. The act not only includes a minimum income but also assistance for exceptional expenses, reintegration facilities and subsidised work. The national authorities are responsible for the general benefit levels. The national authorities have assigned the implementation of the Participation Act and related regulations to 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

³³ Mary Daly, ESPN Thematic Report on minimum income schemes, Ireland 2015

³⁴ Marieke Blommesteijn, Luuk Mallee and Bob van Waveren, ESPN Thematic Report on Minimum Income Schemes, The Netherlands 2015

regain their financial independence. The Participation Act is financed from general funds (tax revenues). Local authorities receive two budgets from the national authorities: one budget for benefit payments (Income budget) and one for participation measures (Participation budget: active labour market measures, education and citizenship courses). In addition to implementing the Participation Act, municipalities are also responsible for policies combating poverty and debt assistance, for which they receive a budget. The recent reforms concerning social assistance, long-term care and youth care, implemented in 2015, challenge municipalities to transform their policies and provide integrated services to their citizens. A jobseekers center in every region functions as single point of contact and gives access to most of the necessary benefits (including both social assistance and unemployment benefits) and activation. For recipients of social assistance, this can also be the access point for other services. The principal idea behind the Participation Act is that everyone should have the opportunity to participate fully in society, preferably through a regular job. There will thus be only one system for (disabled) people with some employability. People who really cannot hold a regular job can work in a sheltered environment under the Participation Act.

The ESPN report describes in detail the design of the new benefits under the Participation Act, the links with other benefits and services, and provides an assessment of the adequacy, coverage, take-up and impact of the new system. The study shows that the recent reforms concerning social assistance, long-term care and youth care, implemented in 2015, challenge municipalities to transform their policies and provide integrated services to their citizens.

IV. Current debates on Minimum Income Schemes in the EU

1. Adequacy of Minimum income: which references?

The **European Minimum Income Network (EMIN) synthesis report**³⁵ confirms the statement by the European Network of Independent Experts on Social Inclusion from 2009³⁶, that in reality most Member States (except to a certain extent *Denmark* where a benchmark of 50% of median equivalised income during more than 3 years was introduced to measure poverty under the former government, measure that has been abolished by the new government) don't emphasise the issue of adequacy and have not adopted a definition of a decent income that would enable people to live in dignity, in the sense of what was adopted on income support in the 1992 Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems and in the 2008 European Commission Recommendation on Active Inclusion. Instead of adequacy, some countries (CZ, EE) use the concept of 'subsistence level' or 'absolute poverty' lines to determine the amount of the benefits.

The **ESPN report** on Minimum Income Schemes in Europe³⁷ states that "the majority of countries have a clear mechanism for establishing the level of payments which is based on a set of clearly specified indicators and normally takes account of household composition.

³⁵ Van Lancker, A., Towards adequate and accessible Minimum Income Schemes in Europe, synthesis report

³⁶ Frazer, H. and Marlier, E., Minimum Income Schemes across EU Member States, synthesis report, October 2009, p 30.

³⁷ Frazer, H. and Marlier, E., Minimum Income Schemes in Europe, A study of national policies, January 2015

Table 5: Mechanisms for establishing level of payments

Countries in which there is a mechanism for establishing the level of payments which is based on a (set of) clearly specified indicator(s). The mechanism can be based on:				Countries where there is no clear mechanism and the level of benefits is set (mainly) on a subjective or arbitrary basis
Median/Mean income or proportion of it (e.g. national relative poverty line)	Living standards (prices, absolute poverty line, basket of goods...)	Minimum wage	Other	
IT (BA/FG/MO/NSC/PU/SA/SI/TN/VA**)	CY CZ FI (every 4 th year) IS IT (BZ**) LI MT PL SE SI	ES (Andalusia, Navarre, Basque Country, Melilla) FR NL	CH DE ES (most regions) FI (BSA*) LU PT RS UK	AT BE BG DK (but benefit level not set discretionarily) EE EL FR HR HU IE LT LV**** MK NO RO***** SK

* and ** Acronyms relevant for Finland and Italy: see Table 1.

*** Latvia is planning to establish a methodologically justified minimum income level that corresponds to the social economic situation and will be defined as 40% of national median equivalised disposable income.

**** In Romania, since 2011 all benefits (levels and eligibility thresholds) are expressed in terms of a *social reference index*, which – theoretically – should take into account the relationship between income from work and minimum wage regulations. As there is no clear understanding of the role and significance of the index (although all social benefits are expressed as a proportion of it), and as its value did not change for over 7 years now, its role is rather symbolic. Thus, theoretically benefit levels are based on this indicator; but in practice, this makes no difference.

Source: Frazer, H. and Marlier, E., *Minimum Income Schemes in Europe, A study of national policies*, January 2015

The most common approach is related to establishing **minimum living standards** (e.g. through prices, basket of goods, the absolute poverty line, reference budgets). The report further indicates some other ways of determining levels of minimum income:

“In Germany, the benefit level is deduced from the expenditures of lower-income groups, measured every five years by means of the Income and Consumption Sample.

In Finland, Basic Social Assistance benefits are tied to the cost of living index but the level is decided by the Parliament. Every 4th year, an evaluation suggests what changes might be considered but this does not necessarily lead to a change in the levels of benefits - i.e. the levels are not automatically adjusted on the basis of the evaluation. It is up to politicians to decide if there should be a “level increase” in addition to automatic increases due to changes in cost of living index.

In Luxembourg, the level of the Luxembourg MI scheme was initially established by law, taking into account (but not formally linked to) the level of other existing social protection minima, such as the minimum wage, unemployment benefits and minimum pension.

In Portugal, the amount for the Social Integration Income (RSI) is defined by an Order issued by the Ministry of Solidarity and Social Security and corresponds to a percentage of the Social Support Index.

In a significant number of countries, the basis for setting levels of benefits appears rather arbitrary (i.e. lacking a clear evidence-based rationale) and is very often more a **political decision** than one that is based on scientific evidence. For instance, the level of the Guaranteed Minimum Income (GMI) in Latvia is reviewed on an annual basis in compliance with the negotiations between the Ministry of Welfare and the Latvian Association of Local and Regional Governments in relation to the annual draft central budget. Thus, the GMI level set is the result of a compromise and is not tied to any indicator characterising household

incomes or any objective welfare standard and is not methodologically justified. In Lithuania, the minimum income is based on the State Supported Income which is set by political decision and has no substantial rationale. In some cases, the level set also does not take into account household composition (e.g. Hungary's employment replacement subsidy)".

In their article on the evolution of adequacy of social assistance benefits **Van Mechelen and Marchal**³⁸ assess benefits trends in different countries in the EU. They conclude that not only are levels of minimum income protection inadequate almost everywhere if measured by the standard of 60% of median income, but also that the inadequacy of minimum income has worsened during the past decades. They state that **adjustment systems** are part of the discussion on the definition of an adequate income. They show that most legal systems are quite insufficient to keep benefit levels in line with the general living standard. Wage indexes are usually superior to price indexes from an anti-poverty point of view, but only when governments increased benefits over and above the evolution of the average living standard, either by one-time reforms or through subsequent ad hoc raises, benefits did keep pace with average wages or median equivalised income. On the basis on their analysis of the evolution of minimum income benefits in Nordic countries such as Finland and Sweden, the authors also conclude that when using other relevant benchmarks, such as **minimum budget standards**, it is important to ensure that the baskets of goods and services accurately reflect the needs that must be fulfilled to allow people to live a life in dignity. In fact, in these countries social assistance benefits are regularly reassessed on the basis of baskets of goods and services, but benefits grew at slower pace not only than wages but also than median household income, because the changes in the baskets have been used to downrate rather than uprate benefits.

2. On the use of Reference Budgets

The **EMIN synthesis report**³⁹ notes that in some countries (EE, PL, SE), **reference budgets** are used as a basis to determine the level of minimum income. However, teams in these countries point to the fact that the baskets that were set, don't cover all regular expenses. In *Lithuania*, from 1990 until 2008, social assistance benefits were related to state support income, that was based on a reference budget. Since 1993 the food items in the reference budget were drastically reduced and the share of the food basket in the reference budget increased from 45 to 80%. From 2008 on, the reference budget lost its application and the state support income is now set on the basis of political decisions. In *Poland*, reference budgets were developed by an independent institute and used by a Tripartite Conference to determine the level of the subsistence minimum that avoids extreme poverty, but the MIS is way below the subsistence minimum for the majority of households. Also in *Hungary* a subsistence level was developed by the statistical office to assure satisfaction of basic needs of households on a modest level, but this was never accepted as a reference to determine the level of minimum income. In *Latvia*, the number of items covered by the reference budget was significantly reduced over time. In other countries (BE, DK, IE, MT, SK, UK) reference budgets were also developed, or are being developed (FR, LU) but don't serve as a basis to determine the level of minimum income. The *Danish* case shows that minimum income, tested against the reference budget, only allows people to live a modest life for a limited time. In *Belgium*, the reference budget is used by some local public centres for welfare to determine additional income support that may be granted on top of minimum income. In *Cyprus*, a new MIS is being developed that is based on a reference budget that was developed by the national statistical services, and that covers all people with an income

³⁸ Van Mechelen, N. and Marchal, S., Struggle for life: social assistance benefits, 1992-2009, in Marx, I. and Nelson, K., Minimum income protection in flux; Palgrave Mac Millan, 2013

³⁹ Van Lancker, A., Towards adequate and accessible Minimum Income Schemes in Europe, synthesis report, p. 21

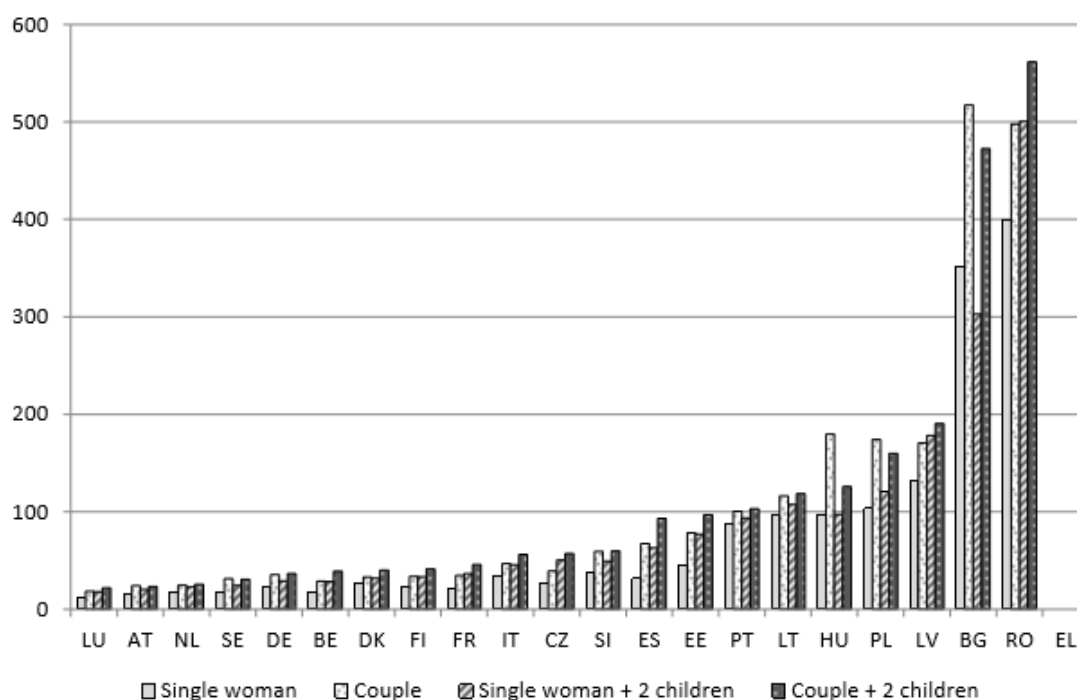
below this level. However, the level of this reference budget is below the 60% AROP threshold. In *Germany* the amount of the standard rate depends on the spending expenditure of the low income group, based on a survey every 5 years.

In their review of the state of play on **reference budgets practices in Europe**⁴⁰, **Storms et al.** found that in 18 cases, reference budgets were originally developed to assess an adequate standard of living; this was recorded as the purpose for the construction of reference budgets in the following countries: AT, BE, BG, DK, EL, FI, FR, HU, IE, MT, NL, PL, SE, SK, and UK. In 14 cases reference budgets are successfully used for that purpose. In 14 cases reference budgets were originally developed to assess the adequacy of social benefits. That is the case for following countries: AT, BE, DE, FI, FR, IE, NL, PL, SE, SK, and UK. Their successful use for this purpose in 16 cases is even higher, since reference budgets are sometimes used for other purposes than they were originally developed for. The most common mentioned advantage by national experts in the project is that reference budgets can fulfil the purpose of understanding and operationalisation of an adequate living standard and their potential to serve as a benchmark for assessing the adequacy of social benefits or to feed the social policy debate about poverty and standards of living.

The researchers have tested the potential of reference budgets to be used as a benchmark for assessing the adequacy of minimum income schemes. They compared the level of social assistance with the level of the food baskets in 22 EU member states for four different family types.

⁴⁰ Storms, B., Goedemé, T., Van den Bosch, K., Schuerman, N. and Stockman, S., Pilot project for the development of a common methodology on reference budgets in Europe, Review of current state of play on reference budget practices at national, regional and local level, March 2014

Figure 54: The cost of a healthy diet as percentage of the net income of hypothetical households living on minimum income schemes for the population at active age in EU countries, 2012.



Note: The cost of a healthy diet refers to food prices in the capital city, excluding kitchen equipment, physical activity or social functions of food. Prices of the food basket are converted to 2012, using the HICP for food & non-alcoholic beverages published by Eurostat. Please note that the social assistance levels of Spain are those applicable in Catalonia rather than Madrid, and of Italy those of Milan rather than Rome.

Source: CSB-MIPI data, January 2012 (Van Mechelen et al., 2011). CY, HR, MT and SK are not included.

Source: Storms, B., Goedemé, T., Van den Bosch, K., Schuerman, N. and Stockman, S., Pilot project for the development of a common methodology on reference budgets in Europe, Review of current state of play on reference budget practices at national, regional and local level

Their results⁴¹ suggest that families (especially those with children) living in the capital city on minimum income schemes in poorer European countries, cannot afford a healthy diet in accordance with the national food-based dietary guidelines. If other essential needs would be taken into account, minimum income schemes seem not to be fully adequate in several other countries as well. According to the researchers this also means that complete reference budgets would not offer a useful benchmark for those countries where this would clearly be overly ambitious in the medium term. However, they argue that also for these countries complete reference budgets could “(1) show that raising the adequacy of minimum incomes is not only or necessarily about increasing the level of benefits, but can also be achieved by reducing the cost of essential goods and services; (2) help to identify goods and services that weigh particularly heavily on a budget for adequate social participation, and so may receive priority for policy action; (3) facilitate cross-national learning by showing how other countries reduce the cost of essential goods and services and

⁴¹Tim Goedemé, Bérénice Storms, Tess Penne, Karel Van den Bosch (eds.), Pilot project for the development of a common methodology on reference budgets in Europe, The development of a methodology for comparable reference budgets in Europe - Final report of the pilot project, University Antwerp October 2015, p.247

improve accessibility; (4) help to formulate intermediate targets. In addition, reference budgets can be used for evaluating policy changes over a period of time, or as a tool for ex ante policy impact evaluations.”

3. How are housing costs valued and accounted for?

The terms of reference of this project explicitly requested for information on how housing related expenses are valued and accounted for.

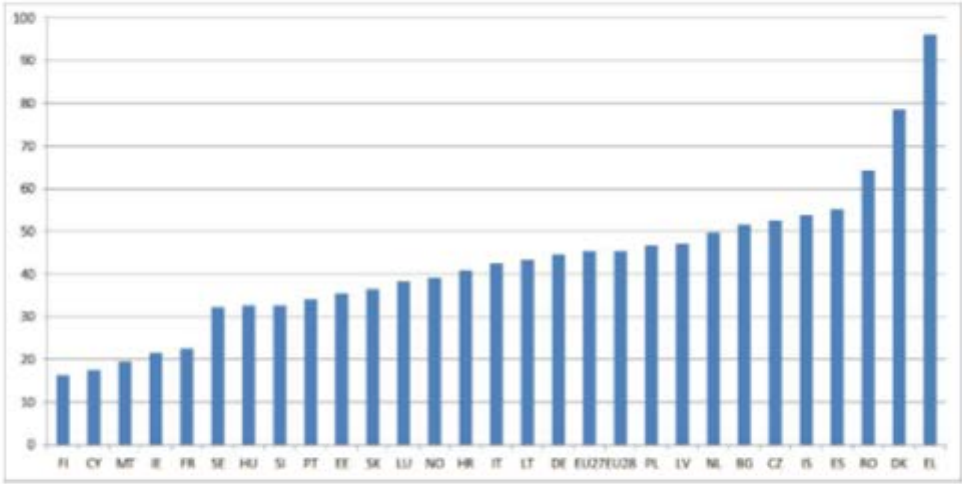
The **2013 SPC annual report**⁴² analyses the evolution of housing costs, especially for low-income households.

Housing costs represent an important share of a household's income, especially for lower income groups. In 2012, the average share of housing costs over disposable household income varied among Member States, between the minimum of 2.5% in MT and the maximum of 33.1% in EL, with the median for EU 28 at 11.2%.

The average share of housing costs in disposable household income increased in 12 EU-27 countries between 2008 and 2012. In a number of countries, the increase has been more prominent for people living below the poverty threshold, with increases of above 10pp in BG, DK, EE, EL, ES, LT, SK. For individuals with higher incomes, the housing cost overburden rate has remained relatively stable with the exception of IE where it increased substantially.

A way in which Member States may assess the issue of housing cost is the **housing cost overburden rate**, with housing cost being more than 40% of the total disposable household income (net of housing allowances). Data from the SPC annual report 2013 show that this is the case for only between 15% and 30% of the (quasi) jobless and poor in countries like FI, CY, MT, IE, FR, SE, HU, SI and going to as much as close to 100% in EL and 80% in DK.

Figure 62. Housing cost overburden rate for the (quasi-) jobless households living at risk of poverty, 2012



Source: Eurostat (EU-SILC); Note: data for IE refers to 2011

Source: [SPC report 2013](#), p. 109

The researchers of the **reference budgets project** note⁴³ that for dwellings with a given set of

⁴² SPC report 2013, p.58-64

basic characteristics, the price range is usually large. Therefore, in the case of the housing basket they propose a different approach for calculating reference values for housing costs. As for other baskets, the approach starts from a review of quality criteria, to sort out how adequate housing may be understood in contemporary Europe. Quality criteria for adequate housing are derived from international and European guidelines, from the EU indicators of housing deprivation, the recent UK Housing Standards Review, as well as common sense. Using data from the Study of Income and Living Conditions (EU-SILC) of 2012⁴⁴, the researchers estimate the rents as well as the other housing-related costs (energy, taxes, maintenance) of apartments meeting those quality criteria, both for the private sector and the reduced-rent sector. Prices refer to a broader region than the capital city. Given the heterogeneity of the housing market, the researchers did not focus on the lowest cost of quality housing, but on a price for which can be expected that a reasonable number of dwellings is available on the market. More specifically, they tried to establish what households actually pay at the 30th percentile for dwellings that conform to certain quality requirements. In other words, 30 per cent of households living in a dwelling with the specified characteristics can be expected to pay less than the reference housing cost identified in this chapter, while 70 per cent can be expected to pay more for the same type of dwelling. Even though the researchers acknowledge that this 30 per cent threshold is arbitrary, they argue that it should allow for identifying important differences in housing costs for different household types across countries, and for gaining more insight into the cost of adequate housing more generally. However, they insist that when reference budgets are used to assess the adequacy of income of real households, the actual housing costs that people face should be taken into account, rather than the reference housing costs proposed in the report, which serve purely analytical purposes.

Reference housing costs corresponding to adequate dwellings were determined in order to illustrate the importance of housing costs, and the substantial impact that social housing can have on the minimum resources required for adequate social participation. The research used regression models with households as unit of analysis. They calculated reference rents for tenants in the private sector as well as for tenants in the social sector⁴⁵. In the same way the researchers calculated the reference housing costs other than rent. Other housing costs refer to monthly costs connected with the household's right to live in the accommodation, other than the rent itself. This includes mortgage interest, taxes on housing, insurance, maintenance and repairs and also the costs of utilities (e.g. water, electricity, gas and heating) resulting from the actual use of the accommodation. The same independent variables were used, with the addition of variables indicating the family composition (couple vs. single and the number of children; both as indicator variables), as the size and the composition of the family may have an influence on the need for (and costs of) utilities (electricity, water), independently of the characteristics of the dwelling.

⁴³ Tim Goedemé, Bérénice Storms, Tess Penne, Karel Van den Bosch (eds.), Pilot project for the development of a common methodology on reference budgets in Europe, The development of a methodology for comparable reference budgets in Europe - Final report of the pilot project, University Antwerp October 2015, p.186-236

⁴⁴ latest data available in the EU-SILC study which included a special module on housing

⁴⁵ The researchers explain their methodology as follows: "We estimated quantile log-linear regression models, with rent (ln) as the dependent variable, in which we included as independent variables: size in m² (ln), number of rooms (ln), the elapsed duration of the current contract (ln), whether the region is the region of the reference city (ind) and whether the area is densely populated (ind). (ln) indicates that the variable was entered after a logarithmic transformation, while (ind) means indicator variable (i.e. dummies for each category for these variables, except the reference category). The regressions were run on the subsample of tenants in the private sector. The unit of analysis is the household, which is assumed to correspond in one-to-one relationship to a dwelling. In this way calculations of reference rents for tenants in private sector were made, as well as reference rents for tenants in the social sector".

Total reference housing costs for tenants are calculated as the sum of the reference rent and the reference housing costs other than rent. The researchers found that estimates of reference rents for adequate dwellings vary strongly across capitals, reflecting cross-national differences in the level of the average rent. By contrast, other housing costs, which mainly reflect energy costs, vary much less across the capitals studied. As expected, reference rents are always lower in the reduced rent sector than in the private sector.

4. Complementing benefits

The terms of reference also request to clarify whether MISs are complemented with other benefits to cover special needs.

In some countries, MI schemes are intended to cover the main expenses that are considered necessary for a decent life. However, in many countries the main MI schemes do not cover a full range of costs. Given the limited number of things covered in many basic MI schemes they are complemented by other means-tested benefits.

The **ESPN report** on Minimum Income Schemes in Europe⁴⁶ gives an overview of the most common complementary means-tested benefits; for the countries of the EU they include:

- rent and housing benefits/subsidies (e.g. BE, BG, CY, DK, EE, ES [Aragon and Basque Country], FI, HR, IE, LT, LU, LV, MT, NL, PL, PT, SE, SI);
- energy and heating subsidies (e.g. BE, IE, LT, MK, MT, PL, RO);
- child or family allowances and/or child care support (e.g. BE, BG, FI, HU, IE, LT, NL, PL, PT, RO);
- health insurance subsidies, coverage of health care and/or dental costs (e.g. HR, LU, LV, MT, NL, RO);
- lone parent and supplementary benefit for low-income families (e.g. EE, ES [Catalonia, Basque Country and Rioja], HR, MT, LU, RO);
- education-related allowances such as school meals, school books, free of charge Early Childhood Education and Care places etc. (e.g. IE, LV, LT, LU, MK, PT, RO, SK);
- disability/sickness related allowances and benefits (e.g. BE, BG, EE, ES [Aragon, Asturias, Catalonia and Extremadura], MT, NL, PL, PT).

Other complementary support to MI schemes mentioned include:

- means-tested allowance for students (EE);
- free of charge access to public transport and free of charge or very cheap access to social and cultural activities and education and training (LU);
- debt assistance (NL);
- payments to cover living expenses that arise occasionally and care allowance (SI); - assistance with compulsory home insurance (RO).

The **EMIN synthesis report**⁴⁷ also mentions that in many countries, beneficiaries of MIS can also receive additional benefits for other needs. The most commonly highlighted in the national EMIN reports are benefits with regards to housing, energy costs, costs to raise children, health care costs.

⁴⁶ Frazer, H. and Marlier, E., Minimum Income Schemes in Europe, A study of national policies, January 2015

⁴⁷ Van Lancker, A., Towards adequate and accessible Minimum Income Schemes in Europe, synthesis report

Because of the considerable impact of housing costs on beneficiaries' income, many countries foresee that MI can be supplemented by a housing allowance (AT, BE at regional level, BG, CY, CZ, DE, DK, EE, ES, FI, FR, IE, LU, LV, MT, NL, PL, SE, SK, UK). In *Cyprus and Ireland* mortgage repayments are taken into consideration. *Hungary* has a small allowance for housing maintenance.

In many countries there is also an extra allowance for energy costs, covering heating, electricity, gas, fuel (AT in some provinces, BE, BG, IE, LT, MT, PL, RO, SE, UK).

Certain countries have special benefits to cover extraordinary needs in unexpected circumstances (AT in some provinces, CY, CZ, DE, DK, ES, FI, IE, NL, SK).

In certain countries, extra benefits may be granted to cover the costs of raising children (BE, CY, EE, ES, FI, DE, MT, NL, RO, SK).

Some countries allow a top-up of MI for people with disabilities (CY, PT, UK) or to cover costs of long-term care (PT).

The synthesis report notes that access to these extra allowances is far from automatic and depends largely on the discretion by the social worker that assesses the needs of potential beneficiaries.

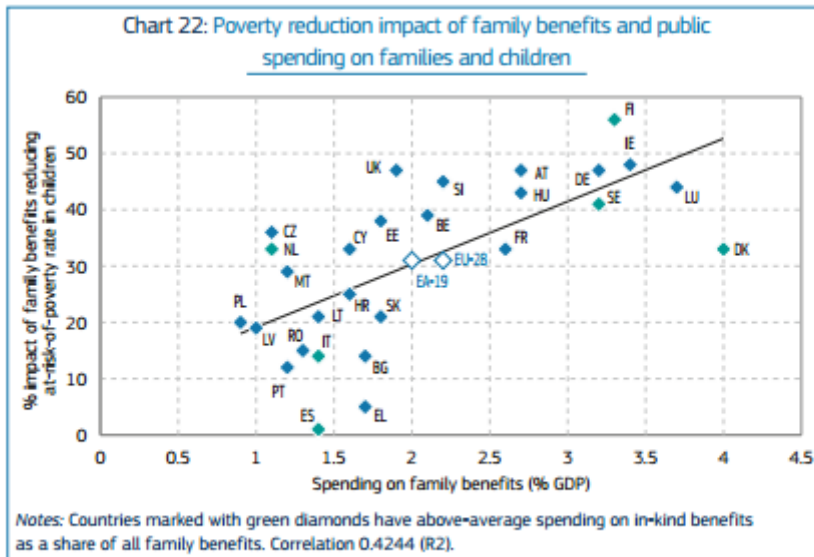
Moreover, the report points to the fact that some of these additional benefits have been reduced as a consequence of the crisis and budgetary constraints.

5. The role of family benefits in the provision of adequate minimum income support.

In their analysis of the effectiveness and efficiency of social protection systems⁴⁸, **Bontout et al.** state that effective family policies that support mothers' employment also support household incomes and these policies can be especially important for low-income families. Family policies are also crucial in supporting household incomes and fighting poverty and deprivation by providing cash support. Several forms of parental leave, child allowances, cash-for-care systems and tax credits for families are available for this purpose.

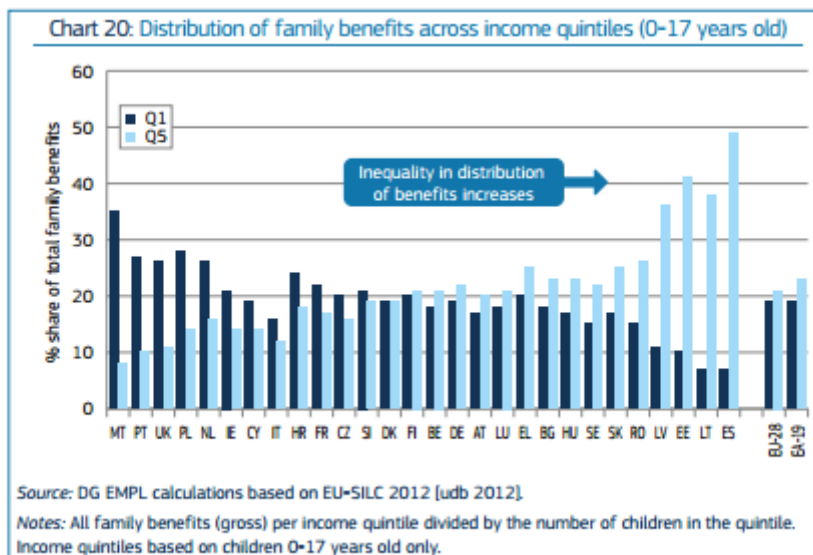
The report notes that family benefits form a considerable proportion of household income in the bottom part of the income distribution in many countries. For example, in Ireland 40% of household income in the bottom income quintile comes from family benefits, in Hungary 39%, and the United Kingdom 33%. The impact of family benefits on household incomes and poverty risk varies significantly from country to country. The size of the poverty reduction effect of family benefits is strongly correlated with the volume of spending on family benefits as a share of GDP (see Chart 22)

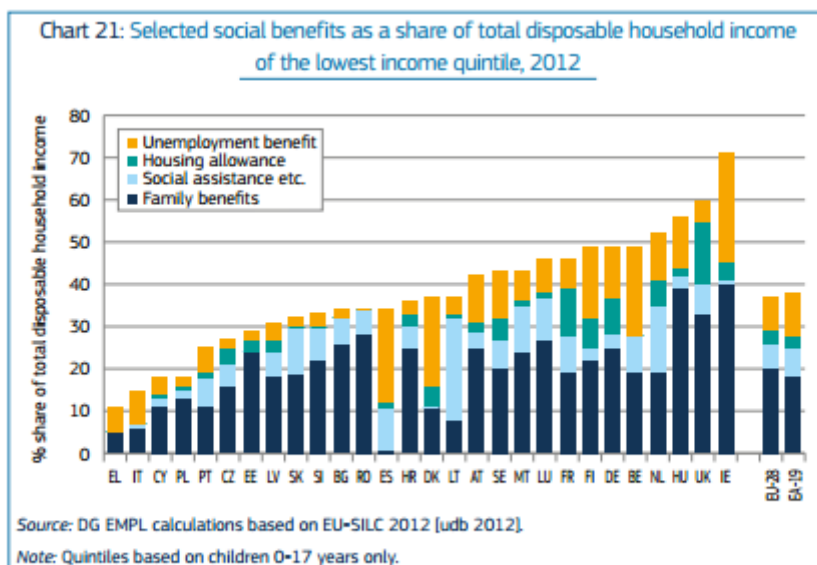
⁴⁸ Olivier Bontout, Virginia Maestri and Maria Vaalavuo, Efficiency and effectiveness of social protection systems, in *Employment and social developments in Europe, 2015*, Part 3 chapter 2



Source: Bontout et al, *Efficiency and effectiveness of social protection systems*,

While the correlation is clear, some countries achieve the same level of poverty reduction with lower spending. This is especially evident, when comparing Denmark, the highest spender, and the Netherlands, among the least generous Member States, which have the same level of poverty reduction through family benefits. However, in the Netherlands the distribution of family benefits is pro-poor and in Denmark it is much more equal (see Chart 20). The report concludes that the design of the system affects the effectiveness of family benefits in reducing poverty risk.





Source: Bontout et al, *Efficiency and effectiveness of social protection systems*,

6. Universal or targeted schemes? Child benefit systems and child poverty.

Evaluating policy systems, in casu child benefit systems, is a complex and multidimensional matter. Policies often embody several objectives, and one single directly observable outcome such as the impact of child benefits on poverty does not do justice to this multidimensionality.

In recent years, the longstanding wisdom that universally designed benefits outperform targeted benefits in terms of poverty reduction has come under siege. Recent empirical studies tend to find that targeting is not necessarily associated anymore with lower levels of poverty reduction. On the political front, the World Bank⁴⁹, the European Commission⁵⁰, and the Organisation for Economic Cooperation and Development (OECD)⁵¹ all have encouraged a move towards “more and better” targeting to those in need, often accompanied by a call for more conditionality in benefit entitlement. The matter has also been at the centre of renewed scholarly attention. While Korpi and Palme’s⁵² ‘paradox of redistribution’, saying that benefits targeted at the poor achieve less redistribution than universal benefits, has long been regarded a settled matter, recent empirical studies for OECD⁵³ and EU economies⁵⁴ tend to find that targeting is not necessarily associated anymore with lower levels of redistribution. However, universal systems, i.e. systems where the entire reference population is entitled to the benefit, usually have a stronger impact on poverty

⁴⁹ Hall, A. (2007). Social policies at the World Bank: paradigms and challenges. *Global social policy*, 7(2), 151-175.

⁵⁰ Communication from the Commission: Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020 (COM (2013) 83 final).

⁵¹ OECD. (2011). *Divided we Stand. Why Inequality Remains Rising*. Paris: OECD Publications.

⁵² Korpi, W., & Palme, J. (1998). The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries. *American Sociological Review*, 63(5), 661-687.

⁵³ Kenworthy, L. (2011). *Progress for the Poor*. Oxford: Oxford University Press

⁵⁴ Marx, I., Salanauskaitė, L., & Verbist, G. (2013). *The Paradox of Redistribution Revisited: And That It May Rest in Peace?* IZA Discussion Papers: Institute for the Study of Labor (IZA).

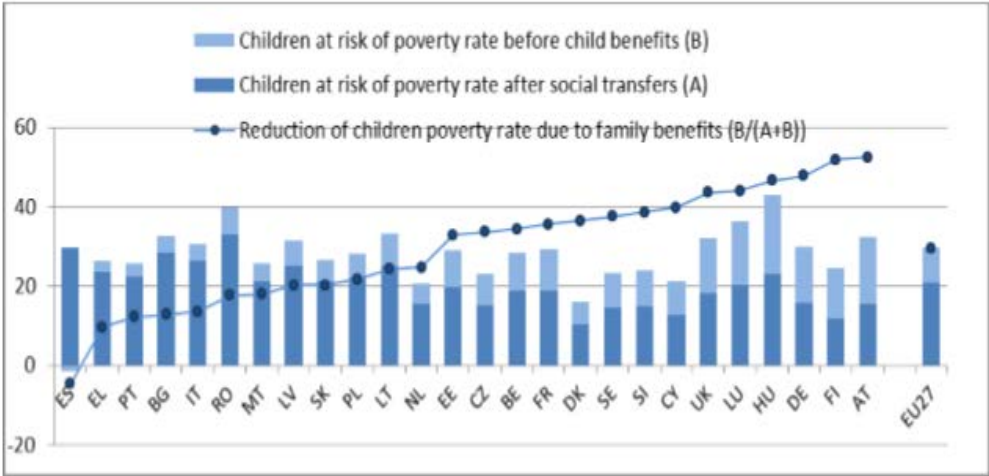
because these systems also tend to be associated with higher overall family spending than more selective systems that use, for example, means-testing as an eligibility condition.

The **SPC annual report 2013**⁵⁵ examines the effectiveness and efficiency of social protection in general and of child benefits in particular on poverty reduction.

The report states that social protection as a whole has a significant impact on reducing child poverty. On average, social protection expenditure reduces the child poverty risk by 40% in the EU, but the impact varies greatly across Member States. Countries most effective at reducing child poverty are IE (reduction of the share of children at risk of poverty by 32 %), HU (by 27 %) and the UK (by 24 %). Countries with the lowest child poverty rates are those in which families with children benefit a good deal from overall social transfers.

Within the whole set of social protection instruments, child/family benefits play a particular role. In countries where family and child benefits are most effective at reducing child poverty (AT, HU, FI, LU, DE, UK), child poverty is almost halved by family and children benefits. At the opposite, family and children benefits do not reduce child poverty by more than 3 percentage points in ES, EL and PT.

Figure 71. Poverty reduction effect of family and child benefits for children aged 0-17



Source: Eurostat (EU-SILC UDB 2011), Calculations by DG EMPL

Source: SPC report 2013

The report finds that the adequacy of benefits should be promoted as a primary tool against child poverty and social exclusion.

Targeting support on those families in disadvantaged situations can help improve the poverty reduction impact, while universal schemes can achieve additional poverty reductions because otherwise excluded children receive the benefit.⁵⁶ Universal schemes can be less efficient in the short run to reduce child poverty as they give income support to all households with children across the income distribution, regardless of households levels of income.

⁵⁵ Social Europe. May ways, one objective. Annual Report of the Social Protection Committee on the social situation in the European Union (2013), p.134-136

⁵⁶ Notten, G. and F. Gassmann (2008), "Size matters: poverty reduction effects of means-tested and universal child benefits in Russia", Journal of European Social Policy, 18 (3), 260-74. <http://gerandanotten.wordpress.com/research/size-matters-poverty-reduction-effects-of-means-tested-anduniversal-child-benefits-in-russia/>

However, in the long run, they also have many advantages: limited cost of ‘production’, larger take up, and low disincentives. Therefore, targeting of support within a broader universal system can improve the effectiveness of the benefit system; most EU countries have integrated “**targeting within universalism**” such as targeting benefits towards low income families and/or single parents.

The report concludes that most countries with a low risk of poverty provide relatively high level of benefits, generally combining universal benefits with more targeted ones.

In their study, **Van Lancker and Van Mechelen**⁵⁷ investigate for a broad set of European countries (1) the relationship between child benefits and child poverty; (2) whether a universal or targeted approach is more effective in reducing child poverty; and (3) the causal mechanisms explaining the link between (1) and (2). They take into account the general characteristics of the child benefit system, the size of the redistributive budget and the generosity of the benefit levels. They find that targeting towards lower incomes is associated with higher levels of child poverty reduction conditional on the direction of targeting and the characteristics of the benefit system.

Table 1. Classification of child benefit systems, 26 European countries, 2009

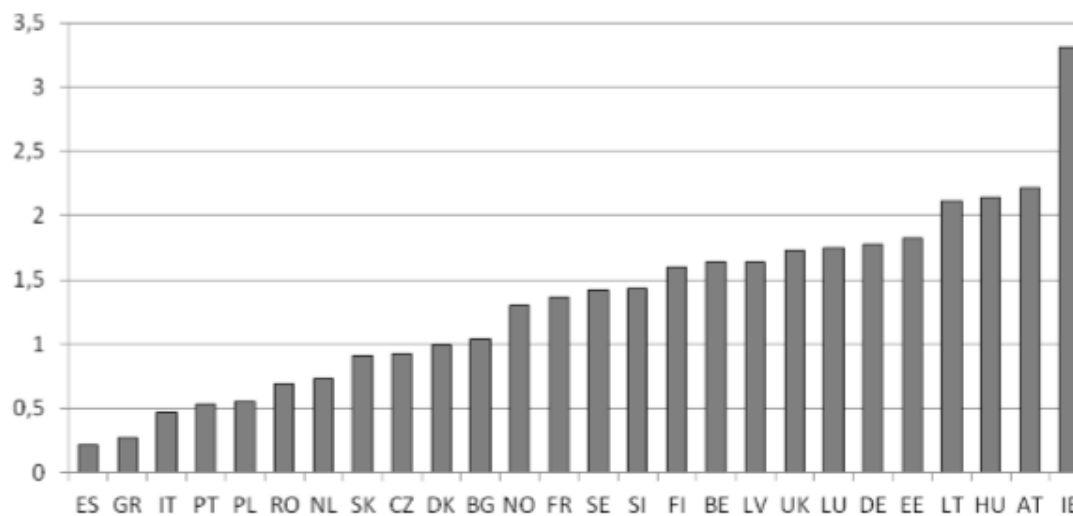
		System characteristic	
		<i>Selective</i>	<i>Universal</i>
Benefit allocation	<i>Targeted</i>	IT, PT, ES, CZ, SI, PL, LT	AT, BE, EE, FR, GR, IE, LU, LV, NL, RO, SK, UK
	<i>Universal</i>	/	DK, FI, SE, NO, HU, DE, BG

Source: Wim Van Lancker and Natasha Van Mechelen, *Universalism under siege?*

According to the authors, two causal mechanisms driving the relationship between benefit design and poverty reduction might be at play: 1) universal benefit systems are superior because they have higher redistributive budgets to allocate (what they call the ‘size’ hypothesis); or 2) targeted benefits are superior because the available resources are distributed over a smaller group which allows benefits to be more generous, hence more effective in combating poverty (the ‘generosity’ hypothesis).

⁵⁷ Wim Van Lancker and Natasha Van Mechelen, *Universalism under siege? Exploring the association between targeting, child benefits and child poverty across 26 countries*, CSB WORKING PAPER, January 2014, 14/01

Figure 2. Size of the redistributive budget for child benefits (% of GDP), 2009

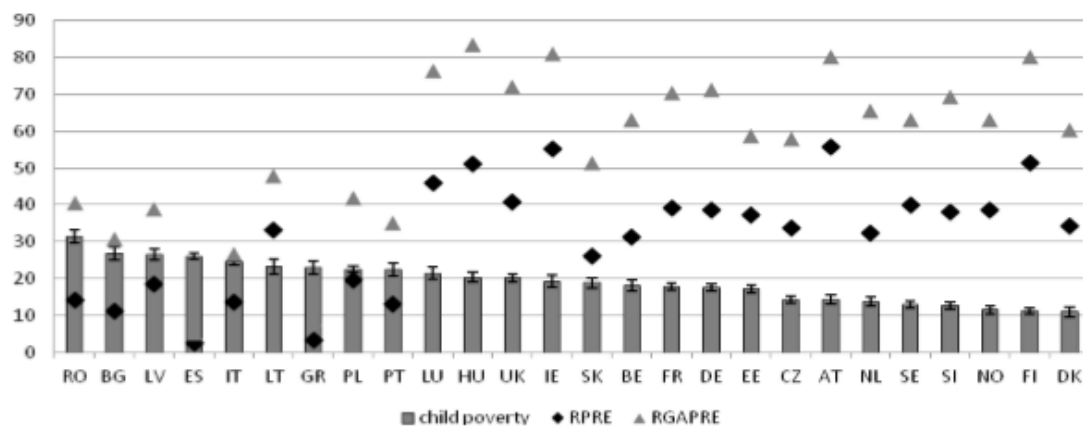


Source: own calculations on EU-SILC 2010. Note : income reference year is 2010 for UK; for Ireland, the reference period is the twelve months before the survey was carried out.

Source: Wim Van Lancker and Natasha Van Mechelen, *Universalism under siege?*

Figure 3 reports child poverty rates for the countries in the sample as well as the indicators of poverty reduction (RPRE) and poverty gap reduction (RGAPRE). First of all, the authors observe great diversity in child poverty rates, ranging from over 30% in Romania and around 25% in Bulgaria, Latvia, Spain and Italy, to about 10% in Finland and Denmark.

Figure 3. Child poverty rates and RPRE, European countries, 2009



Source: own calculations on EU-SILC 2010. Note : income reference year is 2010 for UK and the twelve months before the survey was carried out for Ireland..

Source: Wim Van Lancker and Natasha Van Mechelen, *Universalism under siege?*

Second, regarding RPRE, the figure shows that child benefits in some countries only have a negligible impact on child poverty rates (Spain, Greece), while in others child poverty rates are more than halved (Ireland, Austria, Finland, Hungary). A similar pattern can be discerned regarding RGAPRE.

The research then relates the poverty reduction and the poverty gap reduction to the design of the systems (universal versus selective), to the size of the redistributive budget and to the generosity of the benefits for low income groups.

The **conclusions** of the research shed an interesting light on the question of universalism versus targeting of child benefits:

“First of all, for a set of 26 countries, we find that targeting towards lower incomes is associated with higher instead of lower levels of poverty (gap) reduction, a finding that is in line with most recent research findings that the paradox of redistribution is not necessarily valid anymore. While investigating the drivers of this relationship, we found that size of the redistributive budget is strongly and consistently associated with higher levels of child poverty reduction, and that universal systems tend to have the highest budgets (confirming the size hypothesis). However, we also find that targeting is associated with more generous benefit levels for low income families, and that generosity is related to higher levels of child poverty reduction as well (confirming the generosity hypothesis).

Second, system characteristics are an important factor to take into account. Within selective systems, targeting is strongly and consistently related to a better performance in terms of child poverty reduction. However, selective systems generally are underachievers, associated with low redistributive budgets. In such cases, our results suggest that targeting towards lower incomes might be the only feasible way to reduce child poverty. Within universal systems, the relationship between targeting and poverty reduction is weak and less consistent.

Third, the direction of targeting is important. In some countries, child benefits are targeted towards higher income groups, mainly through tax benefits that put the lower income families at a disadvantage. These countries are low spenders and underachievers in terms of poverty reduction. This is an important factor in explaining the relationship between targeting and poverty reduction.

Finally, the **best performing countries** are actually countries with a **system of targeting within universalism**. In these countries, two channels of poverty reduction are simultaneously at play: they combine **high redistributive budgets** with **higher benefit levels for low income families**. This leads us to conclude that targeting as such might not be the problem; rather it is important how targeting is done”.

In their paper **Manos Matsaganis et al**⁵⁸ examine the effect of income transfers to families in **Greece, Italy, Spain and Portugal**, where public assistance to low-income families with children is often meagre or not available at all, using a benefit-tax model. The distributional impact of actual programmes is shown to be weak, hence the scope for reform great. As an illustration, the European benefit-tax model EUROMOD is used to simulate universal child benefits equivalent to those in Britain, Denmark and Sweden. The anti-poverty effect of such benefits is found to be in proportion to their fiscal cost.

At the time of the research, in Spain, families with children aged under 18 could be eligible for means-tested dependent child benefit (prestacion economica por hijo a cargo), claimed by families accounting for 13 per cent of all children. Tax relief took the form of non-refundable child tax credits, rising more than proportionally with the number of children.

⁵⁸Manos Matsaganis, Cathal O’Donoghue, Horacio Levy, Manuela Coromaldi, Magda Mercader-Prats, Carlos Farinha Rodrigues, Stefano Toso and Panos Tsakloglou, Reforming Family Transfers in Southern Europe: Is there a Role for Universal Child Benefits? *Social Policy & Society* 5:2, 189–197, 2006 Cambridge University Press

Table 1 Impact of family transfers: percentage reduction in the number of poor children

	Greece	Italy	Spain	Portugal
couple with 1 child 0–17	0.0	17.6	2.7	5.9
couple with 2 children 0–17	3.3	25.6	9.2	17.6
couple with 3+ children 0–17	32.0	23.4	7.8	34.6
lone parent with all children 0–17	4.1	14.1	8.4	9.8
lone parent with at least 1 child 18+	0.0	0.0	2.3	4.0
couple with at least 1 child 18+	5.5	10.1	5.7	14.4
other household types	9.4	8.1	9.4	24.1
all households with children	8.1	19.0	7.3	20.8

Note: The poverty line is set at 60% of national median equivalent disposable income, held constant as policies are simulated. The child poverty rate is the headcount ratio. Children are defined as individuals below 18 years of age. The modified OECD equivalence scale is used, assigning a value of 1.0 to the first adult, of 0.5 to other adults and of 0.3 to children below 14.

Table 1 presents some estimates of first-order effects, produced with the aid of the benefit–tax model EUROMOD,³ in terms of number of children lifted over the poverty line, set at 60 per cent of median per capita equivalent disposable income. The authors note that too many poor families with children in Spain receive low benefits. Non-refundable tax relief compounds coverage gaps, excluding poor families by design. They then simulate what would be the implications of universal child benefits, introduced at the same time as actual programmes of family transfers are abolished, using a benefit–tax model like EUROMOD. Reforms II–IV simulate existing child benefits: the British, Danish and Swedish schemes respectively. The three schemes were chosen to illustrate the effect of benefit structures.

Table 3 Impact of simulated reforms: child poverty

	Greece	Italy	Spain	Portugal
existing family transfers	17.0	26.5	21.6	23.1
reform I: budget neutral UCB	17.1	28.4	22.5	25.4
Reform II: British CB	16.0	28.1	18.9	23.5
reform III: Danish CB	15.5	27.1	17.9	19.6
reform IV: Swedish CB	15.9	28.1	18.9	23.2

Note: The poverty line is held constant as policies are simulated. See Notes to Table 1 and 2.

The results indicate that a universal child benefit could have a considerable redistributive impact in southern Europe if set at a high enough level. The authors calculate whether such a policy shift would be affordable: they find that expenditure on family transfers in Spain would increase: from the actual 0.5 per cent of aggregate disposable income, the reforms simulated appear costlier. Reform IV (Danish CB) would be the costliest of all, raising expenditure to 2.4 per cent in Spain but would also have the highest impact on poverty. Reforms III (British CB) and V (Swedish CB) would have a softer fiscal impact, increasing spending on family transfers to 1.8 per cent of total disposable income.

Table 4 Impact of simulated reforms: fiscal costs

	Greece	Italy	Spain	Portugal
existing family transfers	0.9	1.3	0.5	1.5
Reform I: poverty neutral UCB	0.9	2.2	0.7	1.9
reform II: budget neutral UCB	0.9	1.3	0.5	1.5
Reform III: British CB	1.6	1.4	1.8	1.8
reform IV: Danish CB	2.1	1.8	2.4	2.3
reform V: Swedish CB	1.7	1.4	1.8	1.8

Note: Fiscal costs are shown as proportion of aggregate disposable income. See Note to Table 2.

Generally, a basic trade off between fiscal cost and poverty reduction is at work: more generous universal child benefit schemes will have a stronger distributional impact at a higher fiscal cost. According to the authors, current spending on family transfers in southern Europe is so low that it would be naive to expect a mere reallocation of resources within this policy area to reduce poverty significantly. The authors **conclude** that combining **a universal income base with targeted policies could be an effective way to reduce child poverty in southern Europe at a reasonable cost to the tax payer**. But not if targeted policies remain categorical. A **key element of an inclusive social safety net**, potentially open to all poor families irrespective of their characteristics, is **a guaranteed minimum income scheme**.

In their paper, **Verbist and Van Lancker**⁵⁹ develop a two-dimensional framework for evaluating and classifying the outcomes of child benefit systems in terms of both vertical and horizontal equity. They argue that, although all child benefit systems embody in one way or the other the vertical equity objective, in reducing child poverty, the primary objective of child benefit systems is to (at least partly) compensate for the costs associated with childrearing and to minimize the welfare loss relative to childless families, a horizontal equity objective.

They demonstrate that two characteristics of child benefit systems are of particular relevance here: the design of the benefit system and the size of the budget.

The authors compare the performances of countries' child benefits systems in Europe. The measure of vertical equity (VE) should be interpreted as the percentage reduction of the child poverty gap; horizontal equity (HE) should be interpreted as the average share of costs compensated for all families with children. They find a strong relationship between both aspects of equity: countries succeeding in compensating a high share of the costs of childrearing for all families tend to succeed in reducing the poverty gap to a large extent.

⁵⁹ Gerlinde Verbist and Wim Van Lancker, Horizontal and Vertical Equity Objectives of Child Benefit Systems: An Empirical Assessment for European Countries, Soc Indic Res Springer Science+Business Media Dordrecht 2015

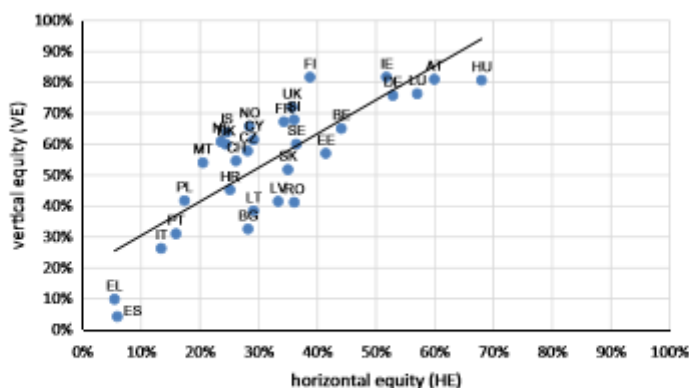


Fig. 1 HE and VE outcomes of child benefit systems in Europe, 2011. *Source:* own calculations on EU-SILC 2011

Source: Verbist and Van Lancker, Horizontal and Vertical Equity Objectives of Child Benefit Systems: An Empirical Assessment for European Countries

“Disaggregated for different family types, Ireland, Norway and Denmark, for instance, have designed a child benefit system that includes generous supplemental benefits for single parents. Countries performing well for single parents do not necessarily perform well for couples. For couples, Hungary and Austria stand out as best performers. The Netherlands do well for small families, whereas Belgium performs well for larger families. Children are not randomly distributed over the population but tend to be overrepresented in families with lower disposable incomes. Even if a country allocates its child benefits over children irrespective of their incomes, the fact that children are to be found in the lower strata of the income distribution means that spending on child benefits will have a vertical redistributive impact by default”.

The outcomes of child benefit systems in terms of HE and VE depend on policy variables on one hand, in particular the size of the budget and the characteristics of the child benefit system, and on environmental variables such as the socio-economic composition of the underlying population on the other. The authors have tentatively explored some of these factors, and find that “the **outcomes of child benefit systems are determined by** (1) the **socioeconomic distribution of children in the population**, with more children in the lower income strata being associated with better outcomes; (2) **the size of the budget** with higher levels of spending being associated with better outcomes; and (3) the **design of child benefit systems**, with child benefit systems targeting towards lower incomes being associated with better outcomes”.

7. Coverage and take-up

The **ESPN study on Minimum Income Schemes in Europe**⁶⁰ points to the problem of **coverage** of MISs in many countries of the EU. Although in more than half of countries the eligibility conditions ensure that MI schemes provide fairly comprehensive coverage of all people at risk of poverty, in many countries coverage is very limited.

⁶⁰ Frazer, H. and Marlier, E., Minimum Income Schemes in Europe, A study of national policies, January 2015, p 23-26

In **Spain**, a large number of Autonomous Communities (Madrid, Catalonia, Canary Islands, Valencia, Andalusia, Balearic Islands, Murcia, Castile-La Mancha) did not even cover 1% of their households under MI programmes in 2014. Only Navarra (4%) and Basque Country (8%) included a significant share of their population under these MI programmes, while the rest of regions attended between 1 and 3% of their households. One of the **eligibility conditions** in all MISs in the Autonomous Communities is, that there is a certain period of residence required in all programmes, between 6 months and 36 months, and even 5 years in Murcia.

The **ESPN synthesis report** finds that most of the countries that are assessed as having fairly comprehensive **coverage** come from the group of countries who have a **simple and comprehensive scheme open to all with insufficient means** to support themselves⁶¹. However, comprehensive coverage was also found in countries with a **complex network of different, often categorial and sometimes overlapping schemes which cover most people in need of support**⁶². Most of these countries don't have a requirement related to a period of residence before people in need of support can claim a minimum income, except for EU citizens, where sometimes a residence period of 3 months is required. The groups that are assessed most frequently as not being adequately covered are: migrants or asylum seekers, undocumented people, people without legal residence, Roma, third country nationals, homeless people, young people, students and young people leaving institutional care, working poor.

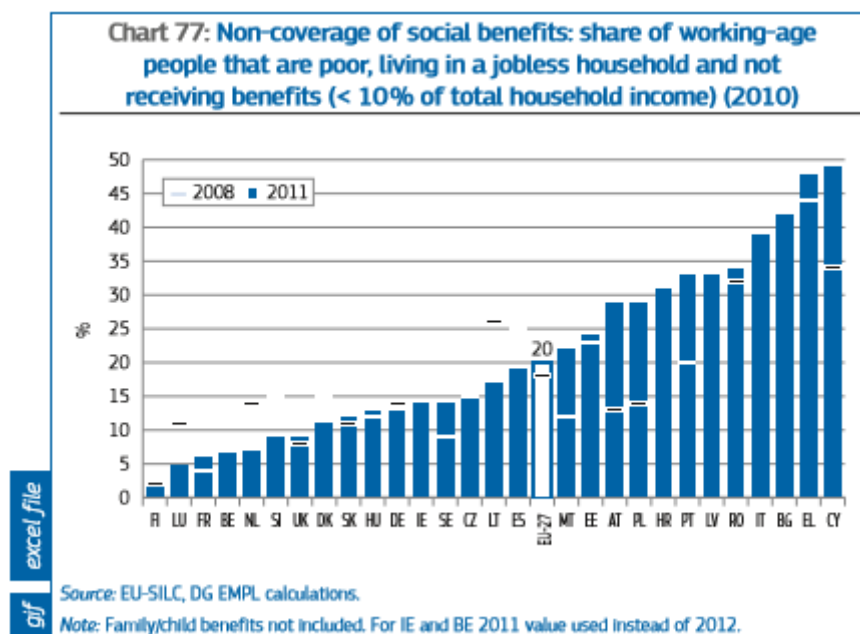
With regards to increasing coverage by minimum income schemes of people in need of support, the report recommends that:

- Those countries with very complex and fragmented systems should consider simplifying these and developing more comprehensive systems;
- Countries with currently low levels of coverage should review their conditions to ensure that all people in need are covered;
- Those countries whose MI schemes currently exclude significant groups experiencing poverty such as homeless people, refugees, asylum seekers, undocumented migrants, Roma, young people (+18 years) should consider amending their schemes to better cover them;
- Countries with high levels of administrative discretion in their core MI systems should aim to reduce this and ensure that there are clear and consistent criteria for making decisions linked to an effective appeals process.

The **ESPN synthesis report** states that detailed evidence on **take-up** of MISs by the eligible population is scarce in many countries. It finds no clear relation between take-up and the type of MIS: countries whose MISs achieve fairly complete take-up come from 4 EU-countries with simple and comprehensive schemes open to all with insufficient means to support themselves (DK, EE, NL, SK), 2 countries with a complex network of often different, often categorial and sometime overlapping schemes which cover most people in need of support (IE and MT), and 1 country with very limited, partial or piecemeal schemes which are restricted to narrow categories and fail to cover many of those in need of support (BG).

⁶¹ Table 3 of the report identifies these countries of the EU in this category and ensuring comprehensive coverage: BE, CY, CZ, DK, EE, FI, LU, NL, SE, SI and SK

⁶² Table 3 identifies following EU countries in this category and ensuring comprehensive coverage: FR, IE and MT



Source: *Employment and Social Developments in Europe 2014*, p. 87

Hans Dubois and Anna Ludwinek produced a well-documented paper for Eurofound on access to benefits and identified ways of reducing **non-take-up**⁶³.

The study starts with explaining, that even though reducing non-take-up may not seem an attractive policy option, since it can be expected to increase public expenditure on benefits, there are strong **arguments** in favour of addressing the gap between take-up and entitlements.

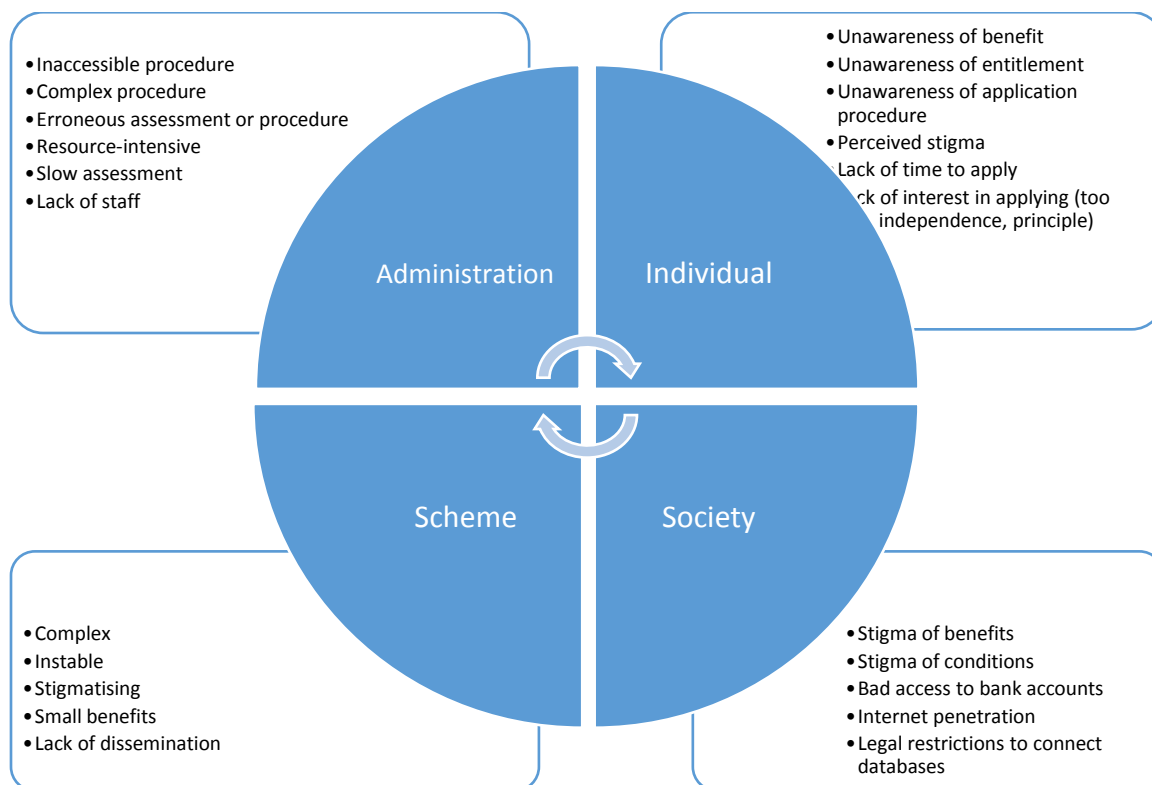
Benefits do not **fulfil their potential** if they don't reach the people for whom they are meant. These potentials are: to **reduce poverty or income shocks**, to **stimulate social and economic inclusion, stabilise the economy** and act as **automatic stabilisers**. If social benefits would effectively reach those who are entitled to them, poverty targets would be closer to those set by the Member States in the framework of the Europe 2020 strategy; reduction of non-take-up would in particular reduce the most extreme cases of poverty. Also, non-take-up that is caused by complex entitlement criteria may be **costly in terms of resources** allocated to evaluate applications. Fixed-costs involved in the establishment of the benefit having been made, the cost of additional beneficiaries may be relatively small. If non-take-up is not considered when establishing a benefit, prediction of the **impact of reforms may be faulty**.

Non-take-up of certain benefits, such as minimum income may also lead to **deteriorating living conditions such as health**. The study also shows that people who benefit from government programmes tend to score higher in terms of **trust in government**. Finally, when people are entitled to benefits fail to realise their rights, this leads to **injustice** and to a greater feeling of injustice in society.

The study shows that addressing non-take-up is an issue of relevance across the EU and is far from marginal. The vast majority of even the most conservative **estimates of non-take-up are above 40%, with only few below 10%**. It has been persistent in time and is an issue for various types of benefits.

⁶³ Dubois, H. and Ludwinek, A., Access to benefits: reducing non-take-up, Eurofound, Publication Office of the European Union, 2015

The study cites several surveys on **reasons for non-take-up**. It explains non-take-up from different levels: the benefit scheme, administration of the benefit, the individual and the broader social and legal context. That leads to the following figure⁶⁴:



The most common reasons identified by the **ESPN experts** include **personal barriers** (psychological barriers or mental illness, stigma and loss of privacy), **institutional barriers** (inadequate information and publicity, benefits that are too low or requirements too high compared to benefits, too much red tape, bureaucracy and complexity of regulations and procedures, increased conditionality and sanctions), **implementation barriers** (additional conditions imposed by social services, lack of effective outreach).

The report recommends that:

- All countries which do not already do so should consider putting in place arrangements to monitor levels of non-take-up and analyse the reasons for this; they should also consider introducing strategies to reduce non-take-up and regularly analyse and monitor the effectiveness of these strategies and make the results of this analysis and monitoring publicly available

The **EMIN synthesis report** gives an overview of reasons for non-take-up, based on the typology developed by Odenor⁶⁵. According to this typology, rights to benefits are not taken up because they are **unknown, unclaimed, or unobtained** by the potential user, or because their rights have been **discarded** by an intermediary. The synthesis report uses this typology to describe the reasons for non-take-up mentioned in the country reports of the project.

⁶⁴ Idem, p. 21

⁶⁵ Van Lancker, A., Towards adequate and accessible Minimum Income Schemes in Europe, Analysis of minimum income schemes and roadmaps in 30 countries participating in the EMIN project, Synthesis report, January 2015

Unknown rights and the lack of communication in one of the mayor reasons for non-take-up, including in Spain. In countries where the law and the administration consider that it is the responsibility of potential beneficiaries to find the relevant information and claim their rights, this approach generates more non-take-up than in countries where the administration is proactive in taking the information to potential beneficiaries. In countries that have a rather complex MIS, the complexity of the system often leads to higher non-take-up. **Unclaimed rights by constraint** point to the fact that there are costs connected to access to MIS that exceed the perceived benefit: financial costs or when the amount of the benefit is too low, cognitive and material costs where the procedures are too complex (including in Spain), physical costs because of difficulties of access for people living in remote areas, psychological costs because of fear for stigma and shame. Unclaimed rights are often linked to conditions to access that potential beneficiaries are not ready to accept; such as rigid means-testing, activation measures that are considered as excessive. **Unobtained rights** are mostly due to administrative obstacles, complex procedures, bad administration or discretionary powers of the administration (this reason was also cited in the case of Spain), absence of appeal procedures, conditions related to necessary documents like ID-cards, or valid address, that may pose problems for migrants, ethnic minorities or homeless people. The synthesis report didn't find any example of countries where rights were discarded because intermediaries such as social workers discourage potential users to claim their rights. The report formulates **suggestions for the improvement of take-up**.

Review and simplify administrative rules

- 1 Develop information campaigns through a variety of media and formats (publishing articles in local newspapers, giving information at locations such as playgrounds and schools, contacting directly people entitled to income support)
- 2 Develop a more 'pro-active administration, to be on the look out for potential beneficiaries (including trained street workers)
- 3 Simplify application procedures and increase assistance in filling in files
- 4 Increase flexibility when asking to prove eligibility (offer services such as ID photos, ID cards, photocopies, declarations on the honour)
- 5 Elaborate more standardised and transparent rules in order to reduce uncertainty related to the claiming process
- 6 Establish easy access appeal procedures before independent administrative authorities and, where necessary, before tribunals

Improve the interaction with other elements of the welfare state

- 1 Increase attention of the interaction between different programmes
- 2 Develop one-stop-shops where social services are gathered in the same place (to improve interactions between various welfare benefits)
- 3 Consider carefully the effects of tax reforms on individuals' incentives to take up welfare benefits

Strengthen empirical evidence and research

- 1 Produce better and comparable empirical evidence and research on non-take-up
- 2 Produce regular estimates of take-up rates for various programmes, based on comparable data and standardised procedures
- 3 Make administrative data more readily available to the research community
- 4 Conduct ad-hoc surveys at regular intervals (e.g. every 5 years)

The **FEANTSA report**⁶⁶ also suggests to use fraud tracking tools, such as cross cutting of data and pro-active agents, to tackle non-take-up.

The **Eurofound study**⁶⁷ gathered examples of initiatives aimed at **reducing non-take-up**. It selected case-studies where there was indication that the initiative has been successful in reducing non-take-up and/or in increasing efficiency. In several cases evaluations were conducted and important lessons were learnt. The study sought a diversity of cases with regards to the benefit system (based on a typology of three groups of countries: countries where a large share of population receives a low benefit; countries where few people receive a relatively large benefit and countries in between), the type of benefit (including 'subsistence level', 'social assistance' or minimum income schemes), the type of measure (at individual and at administrative level) and at least one case study per country that includes information on increasing efficiency, beside the focus on decreasing non-take-up.

At the level of the **administration**, the case studies show that non-take-up is less likely when benefits are initiated automatically, based on registry data. When application by the beneficiary is unavoidable, non-take-up can be reduced by making procedures pro-active and as simple as possible, by connecting and exploiting databases or focussing on people who are 'known to the system' because they receive other benefits or social services. Simplification of required information and procedures used can facilitate application. The report identifies Information and Communication Technology as a great asset in simplifying procedures and points to the potential of on-line applications, by applicants but also by administrators and service providers. Administration also can address non-take-up caused by stigma when application procedures require no face-to-face contact.

At the level of the **individual**, non-take-up can be reduced by reaching people through third organisations, such as Non-Governmental Organisations or trade unions, schools, religious organisations or neighbourhood groups, or by entering social networks of potential beneficiaries through social workers. Incentivising public and private institutions to guide citizens to take up their rights, where institutions benefit from informing citizens about their rights, without bearing the cost of additional claimants, can increase the likelihood for them to take action. Clear information on (non-)entitlement and effective assessment of applications is of course key with regards to reducing non-take-up, but most case studies go beyond information by supporting people with their applications.

Although the research does not assess the benefits **schemes** on their entitlement criteria, it does state that simple and transparent entitlement criteria with readily available data prevent non-take-up. Merging benefits and 'branding' them well may reduce stigma and clarify entitlements, even without changes in the entitlement criteria.

With regards to measures aimed at **society-level**, the study mentions facilitation of access to internet and e-government services, and raising awareness about non-take-up with policymakers, service providers and the general public as possible actions to reduce non-take-up.

8. Trends in terms of priorities between protection and activation.

The terms of reference request to explore **how systems of minimum income and income from employment are combined**, and to provide examples of interest.

⁶⁶ Boccadoro, N., for FEANTSA, Non-take-up of Minimum Income Schemes by the homeless population, EMIN thematic report, October 2014

⁶⁷ Dubois, H. and Ludwinek, A., Access to benefits: reducing non-take-up, Eurofound, Publication Office of the European Union, 2015, p. 22-33 and annexes for case studies

The **ESPN report** on minimum income in Europe⁶⁸ finds that in many countries there are a variety of arrangements to ease transitions from MI benefits to employment. In particular, for the EU, these include:

- provision of in-work benefits so that take-home income is increased by supplementing earned income with benefits (e.g. BE, ES (Basque Country), FI, IE, MT);
- partial disregard of earnings from means testing (sometimes for a fixed period) (e.g. CY, CZ, DE, EL, ES (Galicia), LU, NL, PT, RO, SE, SI);
- tapered withdrawal of benefits over time (e.g. HR, IE, MT) or continuation of all or a percentage of MI benefits for a fixed period (e.g. LT, PL).

Table 9: The extent to which MI schemes 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
HU	DK HR IE LI MT PT SK	AT BE BG CH CY CZ DE EE EL ES FI FR IS (but mainly out of work) IT (all 10 schemes*) LT LU LV MK NL NO** PL RO RS SE SI UK

* For the 10 Italian schemes: See Table 1.

** In principle, in Norway MI benefits can top up work income, but this very rarely happens in practice because MI recipients have no incentive to supplement MI with work income.

Source: Frazer, H. and Marlier, E., *Minimum Income Schemes in Europe, A study of national policies*, January 2015

The **EMIN synthesis report**⁶⁹ finds that in many countries the inability to find work is an integral part of the definition of the purpose of MIS for people of working age, since this is a reason for people's inability to guarantee an adequate standard of living through their own efforts. Some countries introduced measures into their MIS, distinguishing people unable to work from those who can work (DE, HU, IE, UK). Others also developed complementary assistance schemes geared specifically towards jobseekers to supplement contribution-based unemployment benefits, particularly near the end of the entitlement period (EE, ES, FR, IE, MT, PT, UK). In many countries MIS benefits are granted also to people with insufficient income from work or social security benefits (AT, BE, BU, CY, CZ, DK, EE, ES, FI, FR, LT, LU, MT, NL, PL, PT, RO, SE, UK).

The **2013 report of the SPC**⁷⁰ mentions **France** as a successful case of combining minimum income support with employment. "A recent example of policy reform that combines income support with activation (including support of low wage earners) is the Revenu de Solidarité Active (RSA) in France. The RSA can be seen as a cornerstone of France's current anti-poverty policy, in combination with the minimum wage and employment subsidies. The declared objectives are to integrate and simplify existing benefit schemes, to combat poverty more efficiently and to foster the transition into work. The RSA scheme is equivalent to

⁶⁸ Frazer, H. and Marlier, E., *Minimum Income Schemes in Europe, A study of national policies*, January 2015

⁶⁹ Van Lancker, A., *Towards adequate and accessible Minimum Income Schemes in Europe, Analysis of minimum income schemes and roadmaps in 30 countries participating in the EMIN project, Synthesis report*, January 2015

⁷⁰ SPC annual report 2013, p.94

a negative income tax. A basic benefit of € 410 (for a single adult) or € 590 (for a couple with no children) applies to claimants who do not work; for those who work, earnings are topped up by an in-work RSA supplement in such a way that 62 % of their net earnings are exempted. The implicit tax rate is set so as to make the benefit expire as the claimant's earnings approach the poverty threshold (Salaire Minimum de Croissance SMIC = approx. € 1 200 gross/ € 950 net). In comparison with the pre-existing schemes, the RSA focuses more on the lowest income group and, above all, strengthens the work incentive component". However, it should be noted that, due to the complexity of the French RSA, non-take-up is high⁷¹.

With regards to the question **how to reconcile work, social redistribution and poverty reduction**, **Bea Cantillon et al**⁷² observe that, as a consequence of the policies to foster active inclusion as a means of preventing poverty and the development of employment strategies in order to reduce benefit dependency, it may have become more difficult to pursue the goal of poverty reduction. On the basis of their analysis, the authors conclude that "the experience in the EU before the crisis is indicative of tough trade-off inherent to "active inclusion" strategies that should not be taken lightly". They formulate three considerations. First they conclude that differences in social redistribution are considerable between countries. The Scandinavian countries for them provide the example of how low poverty, high employment and economic performance can be combined with a strong social redistribution. Secondly, they note that poverty is clearly more prevalent among jobless households. Examples from Slovakia, the Czech Republic and Denmark prove that the proportion of jobless households can be reduced to 10%; guaranteeing adequate minimum incomes to the groups of work-poor households is possible if the policy design is effective and provided that genuine activation measures, adequate wages and an appropriate level of redistribution are in place. The simulations in their article also show that although active labour market policies should play an important role in poverty reduction in Europe, adequate income schemes and social redistribution remain important instruments for improving the performance of the welfare state. Finally, they find that social budgets play an important role: there is a negative correlation between spending levels and poverty reduction, which means that poverty reduction clearly requires important efforts. However, design and distributional structure of social programmes play an important role, since some countries achieve much lower poverty rates despite similar social spending levels.

The researchers find that the cost of introducing adequate minimum income protection defined at 60% of median income, would be considerably reduced if countries would be able to devise successful activation policies and push down their number of work-poor households to the level of the best performing countries (Sweden, Lithuania, Estonia and Slovakia: average = 7.8%). However, they also find that in Spain, Romania, Lithuania, Estonia and Latvia, the poverty gap would remain large even if the share of families with low-intensity were to be reduced to 8%, because the poverty gap in those countries mainly reflects the inadequacy of their income protection arrangements.

⁷¹ The EMIN report for France (p.20) cites an evaluation study of the RSA system that estimates the non-take-up for RSA activity at 68%

⁷² Cantillon, B., Van Mechelen, N., Pintelon, O., and Van den Heede, A., Social redistribution, poverty and the adequacy of social protection, in Cantillon, B., and Vandenbroucke, F.(eds), Reconciling work and poverty reduction. How successful are European welfare states? Oxford University Press, 2014, p. 157-184

9. Effects of the crisis on social protection and minimum income

In their research on the relation between employment and poverty dynamics in EU countries before, during and after the crisis, **Gábos et al**⁷³ find that countries differ greatly in the proportion of total poverty changes attributed to changes in poverty rates of both individuals living in jobless and non-jobless households. They conclude that the success of poverty reduction depends to a large extent on three factors: the dynamics of overall employment growth, the fair distribution of the employment growth across households with different work intensity and properly designed social welfare systems to smooth out income loss for those families who are unable to generate sufficient income for themselves from the labour market.

In their **2015 report**⁷⁴, the **SPC** analyses the recent reforms and policy initiatives in the area of social inclusion and poverty reduction. They find that in the aftermath of the crisis three main types of policy responses in EU countries can be identified: (1) fiscal consolidation leading to cuts in budgets, resulting in reductions in the availability and/or quality of programmes; (2) a move away in some Member States from universal social inclusion policies to more targeted and conditional policies that are often less effective in addressing social challenges; and (3) a choice in some Member States to prioritise passive short-term social protection measures over the introduction of more enabling and active measures.

In the **Employment and Social Developments report 2014**, **Aujean et al**⁷⁵ describe some of the evolutions in the unemployment benefits schemes in EU Member States. They find that between 2011 and 2013 in almost one third of the EU countries, unemployment benefit arrangements have been changed by tightening eligibility requirements (UK, IE), reducing the amounts of benefits received (RO), introducing means-testing, making benefits conditional on active job searches and participation in training and other active labour market policies, reducing the maximum length of period for receiving benefits (CZ, PT) or linking the level of benefits to the duration of unemployment. These changes resulted in coverage rates in 2013 for long term unemployed across the EU of 11percentage points below pre-crisis levels. The authors point to the lack of effectiveness in the unemployment benefits systems of those countries, but also indicate that the changes also impacted negatively on the effectiveness of the activation schemes. On the contrary, some countries took expansionary measures that increased the opportunity to claim unemployment benefits by reducing the required period of contribution to be eligible (LV), the extension of unemployment benefits to new categories such as non-regular workers (DE), or the self-employed (AT), or to those who's rights otherwise would have expired (LV, ES).

They indicate that countries that introduced partial unemployment benefits to maintain people in their jobs (FR, DE, PL, NL) had labour markets that proved to be more resilient to the crisis, which highlights the contribution of well-designed unemployment benefit systems, not just to protect people for income shocks, but also to help countries weather the recession.

Their research also shows that the countries with the highest active labour market policies and unemployment benefit expenditure, which have strong job-search requirements and high levels of participation in training combined with high coverage and low eligibility criteria for their unemployment systems, have the best performing labour markets and fared the crisis

⁷³ András Gábos, Réka Branyiczki, Barbara Lange and István György Tóth, Employment and poverty dynamics in the EU countries before, during and after the crisis, ImPROvE working papers, N°15/06, March 2015

⁷⁴ Review of recent social policy reforms, 2015 Report of the SPC,

⁷⁵ Aujean, L., Maestri, V., Tanay, F. and Thévenot, c., The legacy of the crisis: resilience and challenges, in Employment and Social Developments 2014, p.45-46

better. Countries that are identified as the best labour market performers are: AT, DE, DK, SE and UK.

V. Conclusions

In the **Country Specific Recommendations 2016**, addressed to Spain by the European Commission, the country is advised to streamline minimum income and family support schemes.

Using its competence of basic articulation of the different MISs, the Social Services Inter-territorial Board could recommend to the Autonomous Regions to establish the basic level of minimum income in all regions at a **commonly agreed level of adequacy**.

Besides the definition of a common level of adequacy for the basic minimum benefit, it is recommended to provide sufficient household size-related supplements or to top-up minimum income benefits with more generous **child or family benefits**.

The first chapter of this paper shows that, for the assessment of countries' performances with regard to the fight against poverty, different indicators can be used, that highlight different conceptions of effectiveness of social policies. The most straight forward indicator is to measure the **adequacy of minimum income support** in terms of the ability of minimum income schemes to lift people out of poverty by using the 60% of median income AROP threshold, or to define intermediary steps to considerably reduce poverty by social transfers. Another indicator is looking at countries' capacity to **guarantee adequacy of minimum income guarantees for working as well as for jobless households**. Several assessments look at the poverty reduction capacity of minimum income support, combined with their employment friendliness. Finally, in **multi-dimensional analysis**, different indicators are combined, to assess countries' effectiveness and efficiency with regard to the fight against poverty.

These different choices lead to different outcomes in terms of best performing countries. However, it is striking that a few countries are performing well in all these analyses. These countries are: **IE, DK, NL and UK**. Other countries are mentioned several times as good performing in the assessments. These are: SE and SI.

Well performing countries can **not be characterised by the design of their minimum income scheme**, since as well simple and comprehensive MISs as more complex and categorial MISs score well.

It is clear that in order to have successful social policies, **adequacy of minimum income** schemes needs to be **combined** with **decent minimum wages** and **inclusive labour market practices** as well as **generous child and family policies**.

The second chapter documents the case of **Austria**, a country where the competence to regulate minimum income lies at regional level, but where the national level has recently concluded an agreement with the federal provinces to coordinate and streamline regional minimum income schemes. This could set an example of the action that could be taken in Spain to better coordinate the minimum income schemes of the Autonomous Regions.

The third chapter provides best practices on simplification of the benefits systems and of integrated service delivery that could inspire Spain in its reforms. The experiences in **Austria, Finland, Norway and Ireland** with the establishment of **one-stop-shops** give an interesting insight of processes at stake and conditions to be fulfilled to successfully integrate different services. The **Netherlands** provide an interesting example of **simplification** of benefit systems for people furthest away from the labour market.

In the fourth chapter several aspects of social policy related to minimum income that are actually subject of debate were examined.

With regard to the **references** that are used to establish the level of payment of MISs, no general rule stands out. However, the recent research shows that the use of **reference budgets** can be a promising tool, not just to assess the adequacy of minimum income, help to formulate intermediary targets and evaluate policy changes, but also to identify goods and services that impact heavily on a household's budget and to facilitate cross-national learning on how to reduce the cost of these services.

This chapter contains a section on how **housing costs** are valued and can be accounted for. It also illustrates which other **complementing benefits** are granted in many Member States. Housing and energy allowances are amongst the most commonly cited additional benefits.

Special emphasis is given to the important role of **child and family benefits** in fighting poverty, since these benefits form a considerable part of the household income in the bottom part of the income distribution in many countries.

On the question whether to provide **universal or targeted schemes**, especially with regard to child benefits, based on recent research, this section illustrates that there is a trade off between fiscal cost and poverty reduction, in the sense that more generous universal child benefit schemes have a stronger impact on poverty reduction at a higher fiscal cost. The best results in terms of poverty reduction are delivered by child benefits schemes that combine universalism of benefits with a system of targeting towards families most in need. The section also contains a simulation of an improved child benefit system for Spain that calculates the fiscal cost.

This chapter analyses the detrimental impact of poor **coverage** and high **non-take-up of MISs**. Countries with fairly comprehensive coverage come from the group of countries that have a simple and comprehensive scheme, open to all people with insufficient income. The section repeats the **recommendations** from the ESPN report, the EMIN report and the Eurofound study to improve coverage and take-up. Reviewing conditions of access to ensure that all people in need are covered and ensuring simple and transparent entitlement criteria are essential to ensure better coverage and take-up. Guaranteeing access to minimum income as an **individual right** in all regions and **eliminating the requirements** linked to **residence period** for people living in Spain would positively impact the coverage of the MISs in Spain. Another solution would be to introduce an extra category of beneficiaries, namely those people who already were beneficiaries of minimum income in other Autonomous Communities in Spain. A certain **portability of the right to a minimum income** would thus be introduced, based on mutual recognition of the eligibility criteria of the MISs between Autonomous Communities.

The section on the **combination of MISs with income from employment** shows that many countries grant MI support to people with insufficient income from work. The example of the French RSA is cited as an interesting case, noting however that the complexity of the system can lead to reduced take-up.

Finally, this chapter briefly describes some **effects of the crises on social protection systems** in European countries, showing that in countries where unemployment benefits have been reduced or tightened in accessibility, this not only led to reduced effectiveness of social protection, but also impacted negatively on activation schemes. On the contrary, countries that took expansionary measures with regard to unemployment benefits not only protected people from income shocks but also made their economies more resilient to the effect of the crisis.

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Countries official abbreviations

EU countries prior to 2004, 2007 and 2013 Enlargements (EU-15)		EU countries that joined in 2004, 2007 or 2013	
BE	Belgium	2004 Enlargement	
DK	Denmark	CZ	Czech Republic
DE	Germany	EE	Estonia
IE	Ireland	CY	Cyprus
EL	Greece	LV	Latvia
ES	Spain	LT	Lithuania
FR	France	HU	Hungary
IT	Italy	MT	Malta
LU	Luxembourg	PL	Poland
NL	The Netherlands	SI	Slovenia
AT	Austria	SK	Slovakia
PT	Portugal	2007 Enlargement	
FI	Finland	BG	Bulgaria
SE	Sweden	RO	Romania
UK	United Kingdom	2013 Enlargement	
		HR	Croatia

Source: Frazer, H. and Marlier, E., Minimum Income Schemes in Europe, A study of national policies, January 2015

Annex 1: Possible areas of articulation of Minimum Income schemes in Spain⁷⁶

In Spain, the Autonomous Communities have the competence to put in place MISs. However, the central government can facilitate exchange of information, sharing of experience and good practice. The Social Services Inter-territorial Board is responsible for basic articulation of social services, including MISs, at national level. Recently there has been a public debate about improving the articulation of MIS programmes throughout the country.

The **Country Report 2016** states that poverty and social exclusion (in its three dimensions) have worsened in Spain in the wake of the crisis and remain the highest in the EU. Between 2010 and 2014, the number of people AROPE increased with more than 1.3 million. Spain also is among the countries with the highest level of inequality, that also increased most during the crisis, driven by unemployment and polarisation of earnings among those in work. Strong regional disparities contribute to the overall level of inequality: the share of people AROPE varies from 20% or less in Madrid, Navarra, the Basque Country and Rioja to 40% and more in Andalusia, Extremadura, Murcia and Ceuta. Children are the group most at risk, due to the deterioration in the situation of their parents and by the relative low impact of family benefits on poverty reduction. Single parent households face the highest risks. Migrants, the Roma population and people with disabilities are disproportionately affected by poverty and social exclusion. The country report finds that minimum income support schemes (MISs) in Spain remain a set of unconnected programmes with large regional disparities in delivery arrangements, eligibility requirements and adequacy

In the **Country Specific Recommendations 2016**, addressed to Spain by the European Commission, the country is advised to streamline minimum income and family support schemes. Spain's Country Report points to its poverty and social exclusion rate that is amongst the highest in the EU (29.2%). The country faces increasing inequality. MISs from the autonomous regions are unconnected and have large regional disparities, but with MISs that are mostly around or below 40% of median income. Non-take-up is high in Spain.

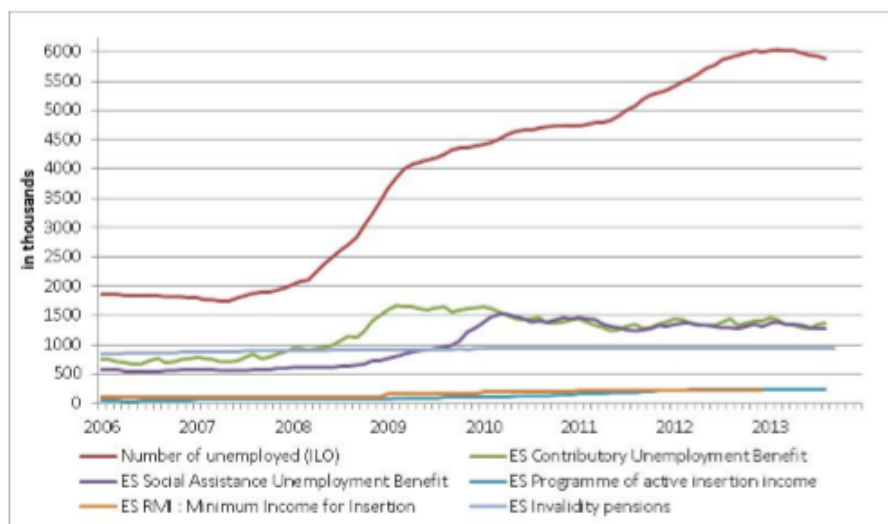
1. Improve coverage by simplifying the eligibility conditions and ensuring portability of rights to MI

According to the **ESPN report** for Spain, one of the striking features of all MISs in the autonomous communities of Spain, is their extremely low coverage. In many regions (Madrid, Catalonia, Canary Islands, Valencia, Andalusia, Balearic Islands, Murcia, Castilla-La Mancha), MISs do not even reach 1% of their households in 2014. Only Navarra (4%) and the Basque Country (8%) include a significant share of their population under their MIS. The rest of the regions attended between 1 and 3% of their households. The **2016 Country Report** finds that despite the significant increase recorded since 2008, the total number of households receiving minimum income support was less than 1.5% in 2014, which is well below the estimated number of households in need. According to the ESPN report, estimations show that around 700.000 households have no income and form the unaddressed target population for MISs.

The **2013 SPC annual report on the social situation in the EU**, points to the strong increase in the numbers of unemployed persons in Spain, combined with a relatively low increase in

⁷⁶ Analysis based on the country report 2015 and 2016 and the CSR 2016 for Spain, and on the ESPN Thematic Report on Minimum Income Schemes, Spain, Rodriguez-Cabrero, Arriba, Montserrat and Moreno-Fuentes, October 2015

Figure 40. Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of ES



Source: Data on number of unemployed from Eurostat (ILO definition, in 1000 persons, seasonally adjusted); data on number of benefit recipients collected from Member States through the SPC delegates

One of the **eligibility conditions** in all MISs in the Autonomous Communities is, that there is a certain period of residence required in all programmes, between 6 months and 36 months, and even 5 years in Murcia.

2. Definition of common criteria of adequacy of MISs, increasing sensitivity of total amounts to household size and improving family benefits

The **Spanish ESPN thematic report** on MISs points to the fact that, although most schemes define a certain level of income for the household that is granted under the regional MISs, consisting of a basic amount and of supplements for additional members of the household, the level of intensity of protection is very heterogenous in the Autonomous Communities, ranging from 300€ to 620€ per month for basic amounts.

Generally, MISs are below 40% of the national median income, except in Navarra and the Basque Country. The report points to the generally low impact of the income protection scheme on poverty reduction. The **2016 Country Report** for Spain confirms that, although there has been some improvement, Spain remains one of the member States where the impact of social transfers on the reduction of poverty is the lowest, in particular for child poverty. Expenditure on family and housing benefits is particularly low compared to the EU average.

According to the **Spanish ESPN report**, additional support for extra members of the household is very flat in most regions, leading to a lack of sensitivity of MISs to the size of the family. Moreover, family support programmes in Spain are weak in nature. The combination of these features leads to high child poverty rates in Spain. The **2015 Country Report** finds that limited progress has been made to improve the situation of low-income households with children and that the modest measures that have been taken do not represent a comprehensive framework to counter the persistent high levels of child poverty.

⁷⁷ SPC annual report 2013, p.68

In the **ESDE 2015 report** it is noted as follows: "Spain (...) stands out in that the share of family benefits of household disposable income is on average only 1% in comparison to around 10% in the EU-28 (...). In addition, the importance of family benefits even for the poorest families remains equally low, while in the EU-28 family benefits represent 20% of the total disposable income of the bottom income quintile. The case of Spain is especially striking because child poverty is among the highest in Europe."⁷⁸

3. Improving the linkages of MISs with other pillars of active inclusion.

The **2016 Country Report** finds that in some regions, the rapid withdrawal of benefits when entering any type of employment, combined with the lengthy procedure to register for benefits, hinders the smooth reintegration of beneficiaries into the labour market. This applies in particular to short-term contracts and to part-time jobs that do not provide a living wage. Moreover, limited coordination between employment and social services hampers the effectiveness of activation measures.

The **ESPN report for Spain** confirms that there are significant problems with transition between benefits systems: there are no links between unemployment benefits and access to MISs, thereby pushing unemployed people into long periods without income and without support to reintegrate into the labour market. The unemployment social assistance scheme is the competence of the central government and consists in a series of means-tested programmes: the unemployment assistance benefits, the active integration income, the professional requalification programme PREPARA and the employment activation programme. There are no data available about implementation of Active Labour Market Policies (ALMP) in Spain, or about the presence of MI beneficiaries. The report further states that the actual capacity of regional and local administrations to design integrated action plans for beneficiaries of MISs fell short of the needs, due to an exponential rise in demand for MIS. The aggregated expenditure of ALMP constitutes less than 20% of the total budget for labour market policies in Spain (compared to EU average around 1/3, DK more than 1/2). Third-sector organisations have been charged with implementing a very significant share of ALMP for socially excluded groups.

The **2016 Country Report** finds that limited coordination between employment and social services hampers the effectiveness of activation measures. The multiplicity of players involved at national and regional level in the delivery of employment and social services and the lack of coordination between them, hinders the effective provision of support, including personalised support for people furthest away from the labour market. The **2015 Country Report** mentions an agreement, concluded in July 2014, signed by the government and the social partners, that sets out the intention to assess, together with the Autonomous Communities, the various models of income schemes in terms of coverage and their link to employability. Although all MISs in the Autonomous Communities refer to active inclusion, only few regions have coordination protocols between the social services that are responsible for MISs, and the employment services. Only the Basque Country has a single point of contact, for social as well as employment services for MI beneficiaries. Measures of fiscal consolidation have contributed to a deterioration of access of vulnerable groups to different welfare services in general, and to childcare and family support services in particular. The 2015 country report confirms that there is a lack of childcare provision that affects children's opportunities and hampers female labour market participation.

⁷⁸ Olivier Bontout, Virginia Maestri and Maria Vaalavuo, Efficiency and effectiveness of social protection systems, in Employment and social developments in Europe, 2015, Part 3 chapter 2

Annex 2: Net Income on Social assistance

Source: Frazer, H. and Marlier, E., Minimum Income Schemes in Europe, A study of national policies, January 2015, p. 41

Table A1: Net income on social assistance (2012 [for EU-SILC: 2013 survey year])

	Social assistance local currency				Social assistance € PPPs				Social assistance as % 60 per cent threshold			
	single	couple	C2C	LP1C	single	Couple	C2C	LP1C	single	couple	C2C	LP1C
AT	9807	14019	24620	14602	9271	13252	23274	13804	74	71	81	85
BE	9182	12263	17979	14281	8394	11210	16435	13054	71	63	61	85
BG	875	1335	2904	1951	914	1395	3036	2039	25	26	37	44
CZ	77608	102292	158556	121804	4142	5460	8463	6501	67	59	59	81
DE	6828	10428	18204	11672	6705	10240	17876	11461	58	59	67	76
DK	99434	190060	263009	176705	9411	17989	24894	16725	83	105	95	113
EE	2264	3001	4809	2857	2833	3754	6016	3574	57	51	53	56
EL	0	0	0	0	0	0	0	0	0	0	0	0
ES	5023	5679	7894	7157	5260	5946	8266	7494	62	47	42	68
FI	9538	14037	21203	13843	7695	11324	17105	11168	68	67	66	76
FR	8573	11515	16650	13349	7857	10554	15260	12234	68	61	58	82
HU	321800	349400	955612	638540	1799	1954	5343	3570	41	30	53	62
IE	13884	20530	26989	17270	12071	17849	23465	15015	121	120	103	116
IT	5579	8315	11895	8795	5338	7956	11381	8415	59	59	55	72
LT	4200	7560	13690	7622	1846	3323	6018	3351	43	52	61	60
LU	16916	24798	36073	22655	13889	20360	29618	18601	85	83	78	87
LV	819	1299	2379	1719	1569	2489	4559	3294	29	31	37	47
NL	11396	16208	20774	17155	10543	14995	19220	15872	91	86	72	106
NO	111036	151164	223032	154668	9328	12699	18736	12993	58	52	50	62
PL	3804	5090	11052	10444	1560	2088	4532	4283	29	26	37	62
PT	2118	3710	6683	3697	2445	4282	7713	4267	43	50	59	58
RO	1309	2509	4489	2509	512	981	1755	981	24	30	35	35
SE	84720	114240	213276	125112	7579	10220	19079	11192	61	55	67	70
SI	3963	5905	11088	6565	4662	6946	13043	7723	56	55	68	71
SK	1420	2381	4010	2769	1985	3328	5607	3871	35	39	43	53
UK	5716	7719	15357	10017	6541	8833	17573	11462	60	54	70	81

Source: CSB MIPI Version 3/2013; Eurostat (PPP: final household consumption from <http://ec.europa.eu/eurostat/web/purchasing-power-parities/data/database>; last accessed 21/2/2014; at-risk-of-poverty [AROP] thresholds 2013, income years 2012 from <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>, last accessed 18/9/2015)

Annex 3: Social protection systems in the EU: financing arrangements and the effectiveness and efficiency of resource allocation. Report jointly prepared by the Social Protection Committee and the European Commission Services, 2015

Figure B.9: Social protection spending and social outcomes in Spain (2011 and 2008)

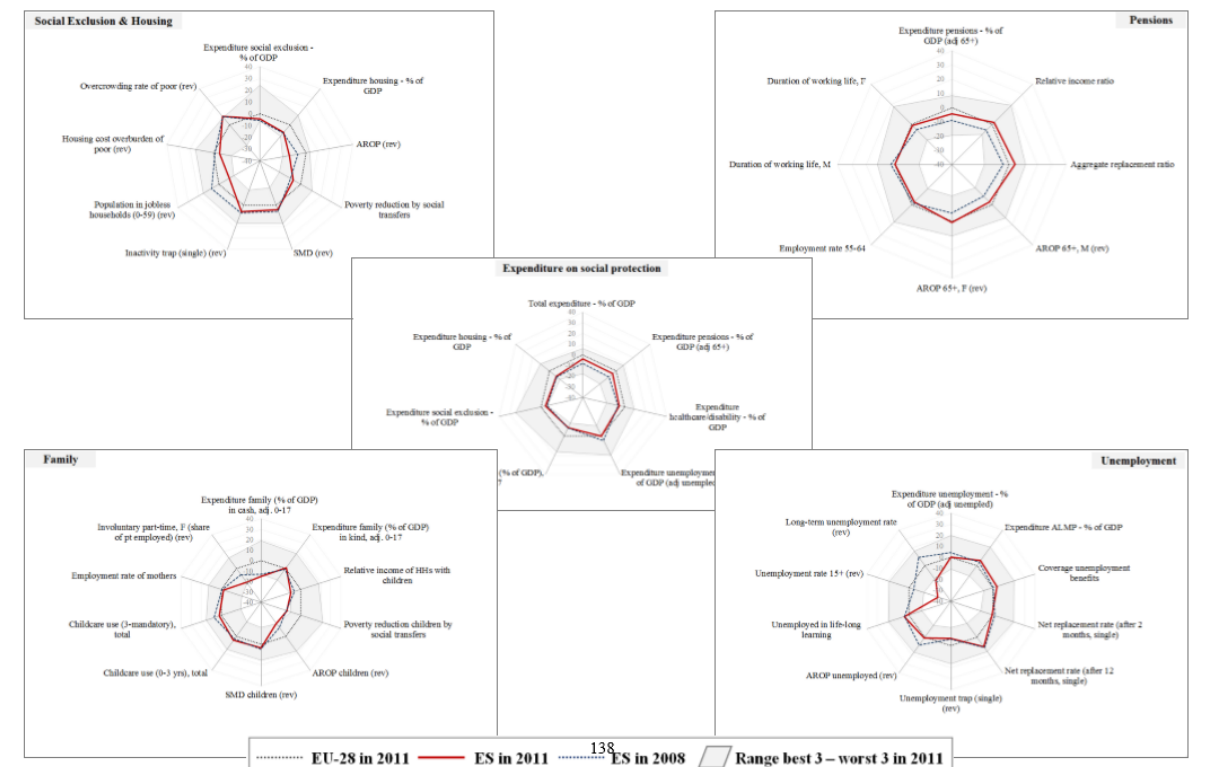


Table B.9: Overview Indicators – Actual Values Spain 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	ES 2011	ES 2008	EU-27 2008
Total expenditure, % of GDP	29.0	26.1	22.2	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	65.5	55.5	69.0
Expenditure healthcare/disability, % of GDP	10.3	8.8	8.4	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	23.0	30.2	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	7.1	7.1	9.6
Expenditure social exclusion, as % of GDP	0.4	0.2	0.2	0.4
Expenditure housing, as % of GDP	0.6	0.2	0.2	0.5

II. Pensions

Indicator	EU-28 2011	ES 2011	ES 2008	EU-27 2008
Relative income ratio	0.91	0.93	0.82	0.86
Aggregate replacement ratio	0.54	0.58	0.50	0.51
AROP 65+, M	12.1	13.6	21.2	14.8
AROP 65+, F	16.4	15.8	24.5	20.0
Employment rate 55-64	48.8	44.5	45.6	45.5
Duration of working life, M	37.6	37.4	38.3	37.3
Duration of working life, F	32.2	31.5	29.7	31.2

III. Unemployment

Indicator	EU-28 2011	ES 2011	ES 2008	EU-27 2008
ALMP exp - % GDP	0.5	0.7	0.6	0.5
Coverage unemployment benefits	30.0	37.8	31.3	31.0
Net repl rate (2 months, single)	58.8	58.0	61.0	
Net repl rate (12 months, single)	37.7	58.0	61.0	
Unemployment trap (single)	74.8	82.7	81.2	74.5
AROP unemployed	46.9	46.0	39.4	45.4
Unemployed in LLL	9.0	13.2	12.3	8.3
Unemployment rate 15+	10.5	21.4	11.3	7.0
Long-term unemployment rate	4.7	9.0	2.0	2.6

IV. Family

Indicator	EU-28 2011	ES 2011	ES 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	2.5	3.1	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	4.0	3.6	3.2
Relative income HHs with children	0.94	0.83	0.88	0.94
Poverty reduction by social transfers, children	34.4	18.8	16.0	40.2
AROP children	20.8	29.9	26.8	20.1
Severe material deprivation children	11.8	7.6	6.7	9.5
Childcare use (0-3 yrs), total	30.0	39.0	36.0	27.0
Childcare use (3-mand), total	83.0	86.0	94.0	84.0
Employment rate of mothers	60.2	57.3	59.5	59.2
Involuntary part-time, F (share of PT employed)	24.9	53.4	35.1	24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	ES 2011	ES 2008	EU-27 2008
AROP	17.0	22.2	20.1	16.4
Poverty reduction by social transfers	34.4	25.0	20.2	34.9
Severe material deprivation	9.9	5.8	4.5	8.2
Inactivity trap (single)	56.1	44.2	41.5	54.8
Population in jobless HHs (0-59)	10.3	14.3	7.6	9.1
Housing cost overburden of poor	39.0	48.0	41.2	35.1
Overcrowding rate of poor	29.4	12.1	10.3	30.4

Figure B.4: Social protection spending and social outcomes in Denmark (2011 and 2008)

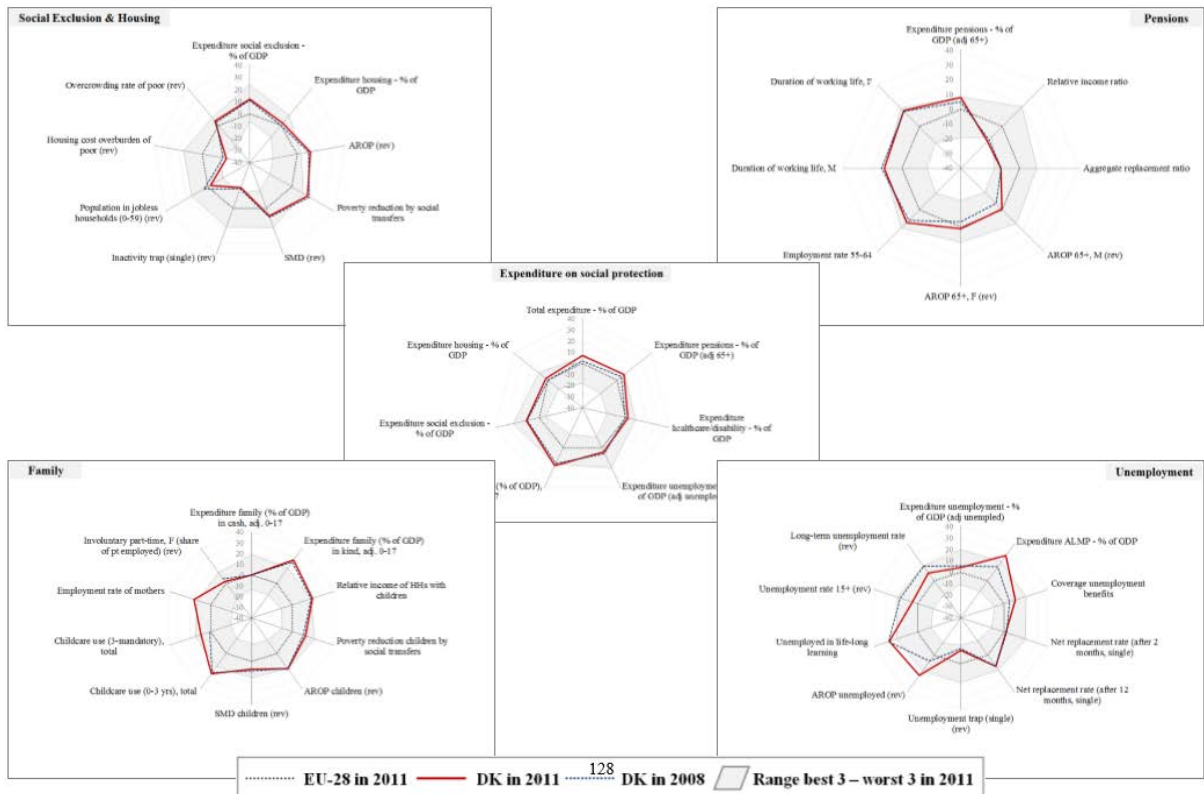


Table B.4: Overview Indicators – Actual Values Denmark 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	DK 2011	DK 2008	EU-27 2008
Total expenditure, % of GDP	29.0	34.2	30.7	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	84.5	81.4	69.0
Expenditure healthcare/disability, % of GDP	10.3	10.9	10.2	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	29.5	31.9	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	16.9	16.3	9.6
Expenditure social exclusion, as % of GDP	0.4	1.0	0.8	0.4
Expenditure housing, as % of GDP	0.6	0.7	0.6	0.5

II. Pensions

Indicator	EU-28 2011	DK 2011	DK 2008	EU-27 2008
Relative income ratio	0.91	0.75	0.71	0.86
Aggregate replacement ratio	0.54	0.42	0.42	0.51
AROP 65+, M	12.1	12.4	18.5	14.8
AROP 65+, F	16.4	15.6	21.3	20.0
Employment rate 55-64	48.8	59.5	58.4	45.5
Duration of working life, M	37.6	41.0	41.7	37.3
Duration of working life, F	32.2	37.9	38.2	31.2

III. Unemployment

Indicator	EU-28 2011	DK 2011	DK 2008	EU-27 2008
ALMP exp - % GDP	0.5	1.5	1.0	0.5
Coverage unemployment benefits	30.0	50.4	39.8	31.0
Net repl rate (2 months, single)	58.8	61.0	62.0	
Net repl rate (12 months, single)	37.7	61.0	62.0	
Unemployment trap (single)	74.8	89.1	88.9	74.5
AROP unemployed	46.9	26.7	41.1	45.4
Unemployed in LLL	9.0	35.1	30.8	8.3
Unemployment rate 15+	10.5	7.6	3.5	7.0
Long-term unemployment rate	4.7	1.8	0.5	2.6

IV. Family

Indicator	EU-28 2011	DK 2011	DK 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	6.6	6.5	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	10.3	9.8	3.2
Relative income HHs with children	0.94	1.15	1.11	0.94
Poverty reduction by social transfers, children	34.4	58.4	56.4	40.2
AROP children	20.8	10.2	10.6	20.1
Severe material deprivation children	11.8	3.6	2.1	9.5
Childcare use (0-3 yrs), total	30.0	74.0	73.0	27.0
Childcare use (3-mand), total	83.0	98.0	84.0	84.0
Employment rate of mothers	60.2	79.7		59.2
Involuntary part-time, F (share of PT employed)	24.9	20.8	16.8	24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	DK 2011	DK 2008	EU-27 2008
AROP	17.0	13.1	13.1	16.4
Poverty reduction by social transfers	34.4	53.7	58.0	34.9
Severe material deprivation	9.9	2.8	2.3	8.2
Inactivity trap (single)	56.1	86.6	87.2	54.8
Population in jobless HHs (0-59)	10.3	11.3	8.8	9.1
Housing cost overburden of poor	39.0	72.9	70.5	35.1
Overcrowding rate of poor	29.4	21.0	22.4	30.4

Figure B.7: Social protection spending and social outcomes in Ireland (2011 and 2008)

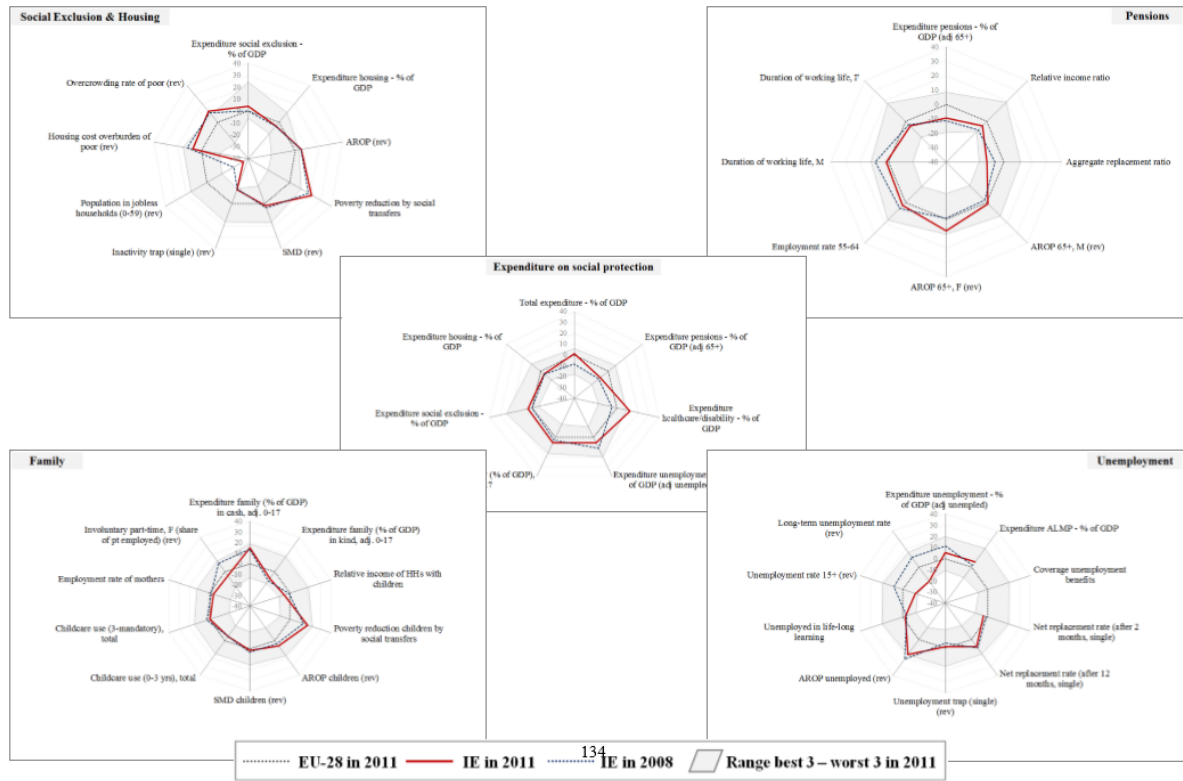


Table B.7: Overview Indicators – Actual Values Ireland 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	IE 2011	IE 2008	EU-27 2008
Total expenditure, % of GDP	29.0	29.6	21.5	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	57.4	50.9	69.0
Expenditure healthcare/disability, % of GDP	10.3	14.0	9.0	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	32.0	41.0	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	12.4	11.5	9.6
Expenditure social exclusion, as % of GDP	0.4	0.6	0.4	0.4
Expenditure housing, as % of GDP	0.6	0.4	0.4	0.5

II. Pensions

Indicator	EU-28 2011	IE 2011	IE 2008	EU-27 2008
Relative income ratio	0.91	0.86	0.78	0.86
Aggregate replacement ratio	0.54	0.43	0.48	0.51
AROP 65+, M	12.1	11.5	14.4	14.8
AROP 65+, F	16.4	10.5	17.6	20.0
Employment rate 55-64	48.8	50.0	53.7	45.5
Duration of working life, M	37.6	37.9	40.3	37.3
Duration of working life, F	32.2	30.0	30.5	31.2

III. Unemployment

Indicator	EU-28 2011	IE 2011	IE 2008	EU-27 2008
ALMP exp - % GDP	0.5	0.7	0.6	0.5
Coverage unemployment benefits	30.0			31.0
Net repl rate (2 months, single)	58.8	53.0	57.0	
Net repl rate (12 months, single)	37.7	53.0	57.0	
Unemployment trap (single)	74.8	75.9	79.5	74.5
AROP unemployed	46.9	31.8	28.1	45.4
Unemployed in LLL	9.0	6.4	6.1	8.3
Unemployment rate 15+	10.5	14.7	6.4	7.0
Long-term unemployment rate	4.7	8.7	1.7	2.6

IV. Family

Indicator	EU-28 2011	IE 2011	IE 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	10.6	6.6	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	1.8	2.5	3.2
Relative income HHs with children	0.94	0.88	0.86	0.94
Poverty reduction by social transfers, children	34.4	65.2	9.7	40.2
AROP children	20.8	17.1	26.9	20.1
Severe material deprivation children	11.8	10.0	20.9	9.5
Childcare use (0-3 yrs), total	30.0	21.0	19.0	27.0
Childcare use (3-mand), total	83.0	82.0	75.0	84.0
Employment rate of mothers	60.2	55.6	52.6	59.2
Involuntary part-time, F (share of PT employed)	24.9	33.0	60.7	24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	IE 2011	IE 2008	EU-27 2008
AROP	17.0	15.2	15.0	16.4
Poverty reduction by social transfers	34.4	61.6	60.0	34.9
Severe material deprivation	9.9	7.8	6.1	8.2
Inactivity trap (single)	56.1	76.7	79.9	54.8
Population in jobless HHs (0-59)	10.3	24.2	20.0	9.1
Housing cost overburden of poor	39.0	27.3	17.3	35.1
Overcrowding rate of poor	29.4	6.7	8.4	30.4

Figure B.19: Social protection spending and social outcomes in the Netherlands (2011 and 2008)

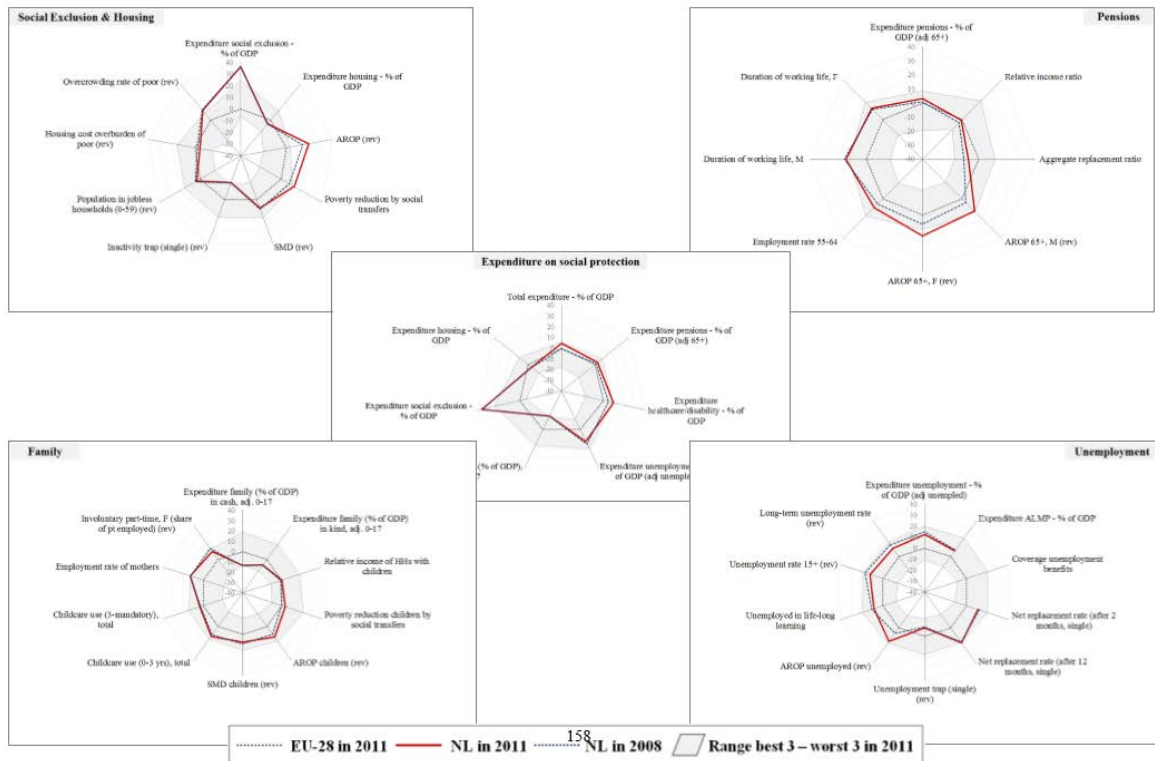


Table B.19: Overview Indicators – Actual Values Netherlands 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	NL 2011	NL 2008	EU-27 2008
Total expenditure, % of GDP	29.0	32.3	28.5	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	76.9	74.2	69.0
Expenditure healthcare/disability, % of GDP	10.3	13.2	11.8	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	43.5	46.7	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	5.1	5.0	9.6
Expenditure social exclusion, as % of GDP	0.4	2.2	1.7	0.4
Expenditure housing, as % of GDP	0.6	0.4	0.4	0.5

II. Pensions

Indicator	EU-28 2011	NL 2011	NL 2008	EU-27 2008
Relative income ratio	0.91	0.90	0.86	0.86
Aggregate replacement ratio	0.54	0.47	0.44	0.51
ARQP 65+, M	12.1	5.5	8.0	14.8
ARQP 65+, F	16.4	5.4	7.5	20.0
Employment rate 55-64	48.8	56.1	53.0	45.5
Duration of working life, M	37.6	41.7	42.3	37.3
Duration of working life, F	32.2	36.4	36.3	31.2

III. Unemployment

Indicator	EU-28 2011	NL 2011	NL 2008	EU-27 2008
ALMP exp - % GDP	0.5	0.7	0.7	0.5
Coverage unemployment benefits	30.0			31.0
Net repl rate (2 months, single)	58.8	75.0	74.0	
Net repl rate (12 months, single)	37.7	70.0	70.0	
Unemployment trap (single)	74.8	83.9	83.8	74.5
ARQP unemployed	46.9	33.3	41.7	45.4
Unemployed in LLL	9.0	17.3	17.6	8.3
Unemployment rate 15+	10.5	4.4	3.1	7.0
Long-term unemployment rate	4.7	1.5	1.1	2.6

IV. Family

Indicator	EU-28 2011	NL 2011	NL 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	3.0	2.9	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	2.1	2.1	3.2
Relative income HHs with children	0.94	0.94	0.93	0.94
Poverty reduction by social transfers, children	34.4	44.5	38.9	40.2
ARQP children	20.8	13.2	15.4	20.1
Severe material deprivation children	11.8	3.3	1.5	9.5
Childcare use (0-3 yrs), total	30.0	52.0	49.0	27.0
Childcare use (3-mand), total	83.0	89.0	87.0	84.0
Employment rate of mothers	60.2	76.1	76.7	59.2
Involuntary part-time, F (share of PT employed)	24.9	7.4	4.6	24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	NL 2011	NL 2008	EU-27 2008
ARQP	17.0	10.1	11.1	16.4
Poverty reduction by social transfers	34.4	51.0	45.9	34.9
Severe material deprivation	9.9	2.3	1.4	8.2
Inactivity trap (single)	56.1	82.1	83.6	54.8
Population in jobless HHs (0-59)	10.3	8.9	8.5	9.1
Housing cost overburden of poor	39.0	46.6	43.3	35.1
Overcrowding rate of poor	29.4	9.2	5.5	30.4

Figure B.26: Social protection spending and social outcomes in Finland (2011 and 2008)

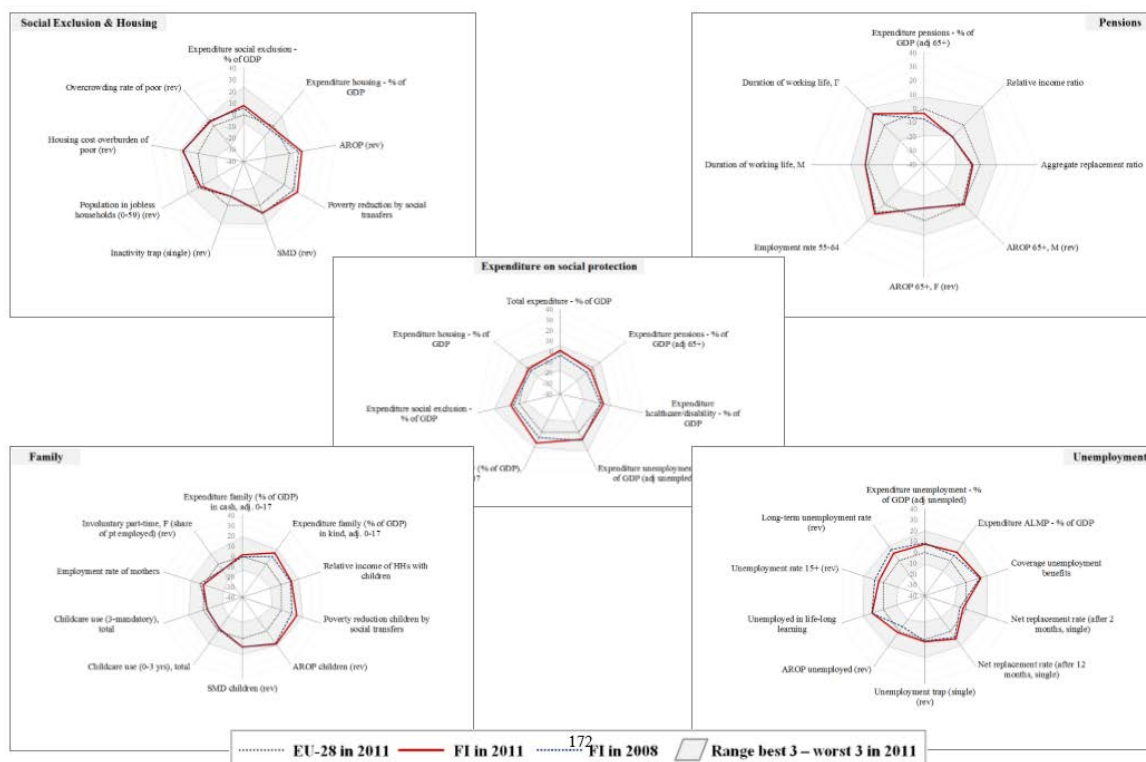


Table B.26: Overview Indicators – Actual Values Finland 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	FI 2011	FI 2008	EU-27 2008
Total expenditure, % of GDP	29.0	30.0	26.2	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	66.9	58.2	69.0
Expenditure healthcare/disability, % of GDP	10.3	10.9	10.0	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	35.5	37.0	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	14.5	12.6	9.6
Expenditure social exclusion, as % of GDP	0.4	0.8	0.6	0.4
Expenditure housing, as % of GDP	0.6	0.5	0.4	0.5

II. Pensions

Indicator	EU-28 2011	FI 2011	FI 2008	EU-27 2008
Relative income ratio	0.91	0.78	0.73	0.86
Aggregate replacement ratio	0.54	0.49	0.48	0.51
AROP 65+, M	12.1	11.9	13.1	14.8
AROP 65+, F	16.4	23.3	28.4	20.0
Employment rate 55-64	48.8	57.0	56.5	45.5
Duration of working life, M	37.6	38.0	38.0	37.3
Duration of working life, F	32.2	36.4	36.5	31.2

III. Unemployment

Indicator	EU-28 2011	FI 2011	FI 2008	EU-27 2008
ALMP exp. - % GDP	0.5	0.9	0.7	0.5
Coverage unemployment benefits	30.0	57.7	55.0	31.0
Net repl rate (2 months, single)	58.8	54.0	51.0	
Net repl rate (12 months, single)	37.7	54.0	51.0	
Unemployment trap (single)	74.8	72.3	73.3	74.5
AROP unemployed	46.9	45.5	51.4	45.4
Unemployed in LLL	9.0	19.7	18.2	8.3
Unemployment rate 15+	10.5	7.8	6.4	7.0
Long-term unemployment rate	4.7	1.7	1.2	2.6

IV. Family

Indicator	EU-28 2011	FI 2011	FI 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	7.1	6.5	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	7.1	6.1	3.2
Relative income HHs with children	0.94	1.05	1.03	0.94
Poverty reduction by social transfers, children	34.4	63.0	56.5	40.2
AROP children	20.8	11.1	12.1	20.1
Severe material deprivation children	11.8	2.8	2.5	9.5
Childcare use (0-3 yrs), total	30.0	26.0	27.0	27.0
Childcare use (3-mand), total	83.0	77.0	77.0	84.0
Employment rate of mothers	60.2	60.3	64.2	59.2
Involuntary part-time, F (share of PT employed)	24.9	37.2	34.2	24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	FI 2011	FI 2008	EU-27 2008
AROP	17.0	13.2	13.8	16.4
Poverty reduction by social transfers	34.4	50.9	47.3	34.9
Severe material deprivation	9.9	2.9	2.8	8.2
Inactivity trap (single)	56.1	69.0	69.9	54.8
Population in jobless HHs (0-59)	10.3	9.3	8.4	9.1
Housing cost overburden of poor	39.0	17.2	17.1	35.1
Overcrowding rate of poor	29.4	20.6	16.9	30.4

Figure B.27: Social protection spending and social outcomes in Sweden (2011 and 2008)

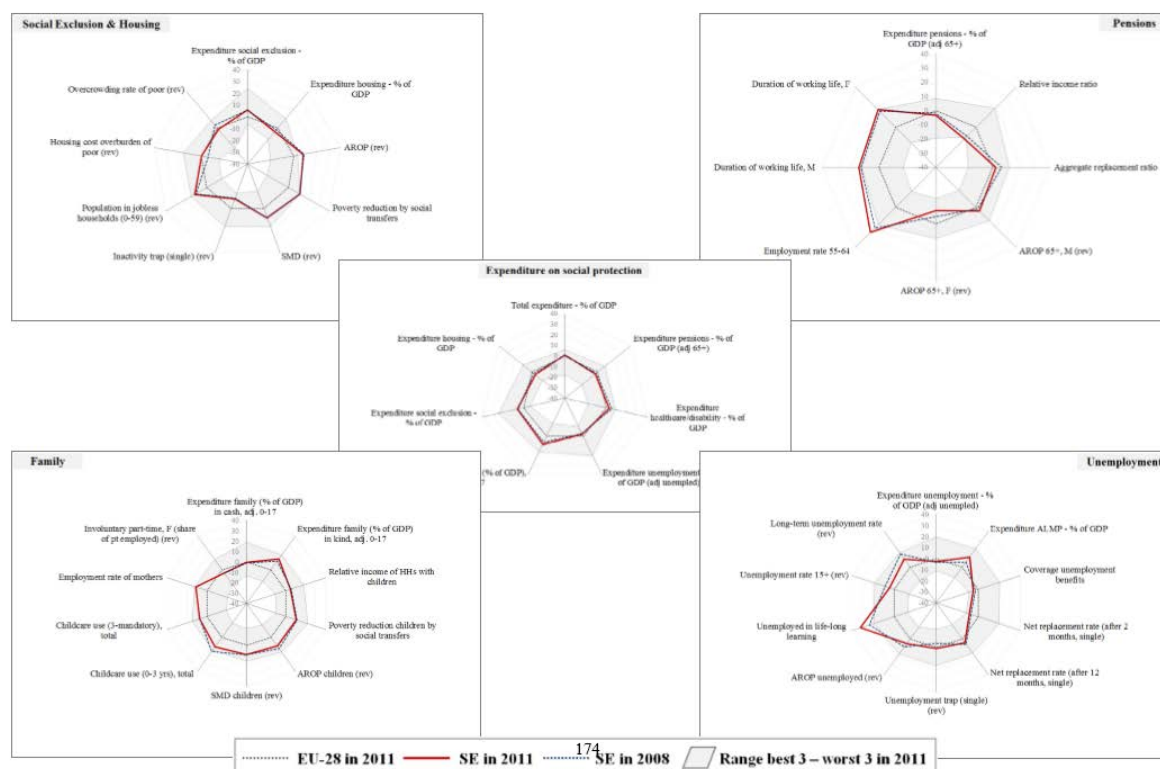


Table B.27: Overview Indicators – Actual Values Sweden 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	SE 2011	SE 2008	EU-27 2008
Total expenditure, % of GDP	29.0	29.6	29.5	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	67.0	68.6	69.0
Expenditure healthcare/disability, % of GDP	10.3	11.2	11.9	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	18.8	18.0	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	13.4	12.7	9.6
Expenditure social exclusion, as % of GDP	0.4	0.7	0.6	0.4
Expenditure housing, as % of GDP	0.6	0.4	0.5	0.5

II. Pensions

Indicator	EU-28 2011	SE 2011	SE 2008	EU-27 2008
Relative income ratio	0.91	0.78	0.77	0.86
Aggregate replacement ratio	0.54	0.56	0.60	0.51
AROP 65+, M	12.1	10.2	10.4	14.8
AROP 65+, F	16.4	23.5	23.6	20.0
Employment rate 55-64	48.8	72.0	70.1	45.5
Duration of working life, M	37.6	41.6	41.3	37.3
Duration of working life, F	32.2	38.9	38.7	31.2

III. Unemployment

Indicator	EU-28 2011	SE 2011	SE 2008	EU-27 2008
ALMP exp - % GDP	0.5	0.9	0.7	0.5
Coverage unemployment benefits	30.0	21.0	25.3	31.0
Net repl rate (2 months, single)	58.8	46.0	50.0	
Net repl rate (12 months, single)	37.7	46.0	50.0	
Unemployment trap (single)	74.8	73.7	78.8	74.5
AROP unemployed	46.9	42.2	39.0	45.4
Unemployed in LLL	9.0	41.0	28.1	8.3
Unemployment rate 15+	10.5	7.8	6.2	7.0
Long-term unemployment rate	4.7	1.5	0.8	2.6

IV. Family

Indicator	EU-28 2011	SE 2011	SE 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	6.5	6.3	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	6.9	6.3	3.2
Relative income HHs with children	0.94	0.99	0.99	0.94
Poverty reduction by social transfers, children	34.4	54.7	56.9	40.2
AROP children	20.8	14.6	13.1	20.1
Severe material deprivation children	11.8	1.4	1.7	9.5
Childcare use (0-3 yrs), total	30.0	51.0	63.0	27.0
Childcare use (3-mand), total	83.0	95.0	94.0	84.0
Employment rate of mothers	60.2	74.1		59.2
Involuntary part-time, F (share of PT employed)	24.9	31.0	29.9	24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	SE 2011	SE 2008	EU-27 2008
AROP	17.0	14.1	13.3	16.4
Poverty reduction by social transfers	34.4	48.5	50.0	34.9
Severe material deprivation	9.9	1.3	1.6	8.2
Inactivity trap (single)	56.1	69.7	71.8	54.8
Population in jobless HHs (0-59)	10.3	5.7	6.4	9.1
Housing cost overburden of poor	39.0	39.3	49.5	35.1
Overcrowding rate of poor	29.4	32.1	23.2	30.4

Figure B.28: Social protection spending and social outcomes in the United Kingdom (2011 and 2008)

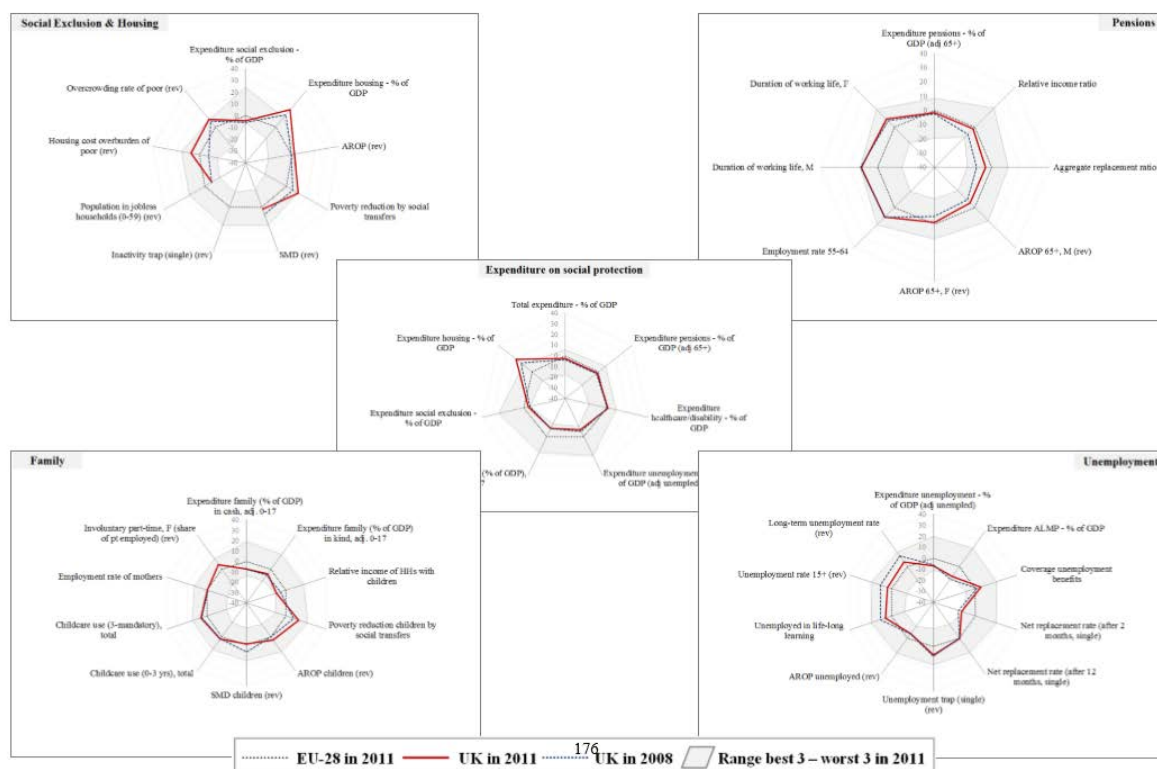


Table B.28: Overview Indicators – Actual Values United Kingdom 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	UK 2011	UK 2008	EU-27 2008
Total expenditure, % of GDP	29.0	27.3	25.8	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	69.5	67.3	69.0
Expenditure healthcare/disability, % of GDP	10.3	10.7	10.4	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	11.3	13.9	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	7.1	7.0	9.6
Expenditure social exclusion, as % of GDP	0.4	0.2	0.2	0.4
Expenditure housing, as % of GDP	0.6	1.5	1.2	0.5

II. Pensions

Indicator	EU-28 2011	UK 2011	UK 2008	EU-27 2008
Relative income ratio	0.91	0.89	0.80	0.86
Aggregate replacement ratio	0.54	0.50	0.44	0.51
AROP 65+, M	12.1	14.5	20.0	14.8
AROP 65+, F	16.4	17.4	24.1	20.0
Employment rate 55-64	48.8	56.7	58.0	45.5
Duration of working life, M	37.6	40.8	41.1	37.3
Duration of working life, F	32.2	35.0	34.6	31.2

III. Unemployment

Indicator	EU-28 2011	UK 2011	UK 2008	EU-27 2008
ALMP exp - % GDP	0.5	0.1	0.0	0.5
Coverage unemployment benefits	30.0	41.1	32.9	31.0
Net repl rate (2 months, single)	58.8	39.0	38.0	
Net repl rate (12 months, single)	37.7	39.0	38.0	
Unemployment trap (single)	74.8	65.7	65.2	74.5
AROP unemployed	46.9	51.4	50.9	45.4
Unemployed in LLL	9.0	14.8	17.8	8.3
Unemployment rate 15+	10.5	8.0	5.6	7.0
Long-term unemployment rate	4.7	2.7	1.4	2.6

IV. Family

Indicator	EU-28 2011	UK 2011	UK 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	4.6	4.5	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	2.5	2.1	3.2
Relative income HHs with children	0.94	0.84	0.89	0.94
Poverty reduction by social transfers, children	34.4	58.5	51.6	40.2
AROP children	20.8	18.5	20.7	20.1
Severe material deprivation children	11.8	12.5	4.4	9.5
Childcare use (0-3 yrs), total	30.0	35.0	35.0	27.0
Childcare use (3-mand), total	83.0	93.0	91.0	84.0
Employment rate of mothers	60.2	59.5	58.4	59.2
Involuntary part-time, F (share of PT employed)	24.9	14.5		24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	UK 2011	UK 2008	EU-27 2008
AROP	17.0	16.2	17.3	16.4
Poverty reduction by social transfers	34.4	49.2	43.1	34.9
Severe material deprivation	9.9	7.8	3.3	8.2
Inactivity trap (single)	56.1			54.8
Population in jobless HHs (0-59)	10.3	13.0	12.7	9.1
Housing cost overburden of poor	39.0	26.8	53.5	35.1
Overcrowding rate of poor	29.4	13.6	15.7	30.4

Figure B.24: Social protection spending and social outcomes in Slovenia (2011 and 2008)

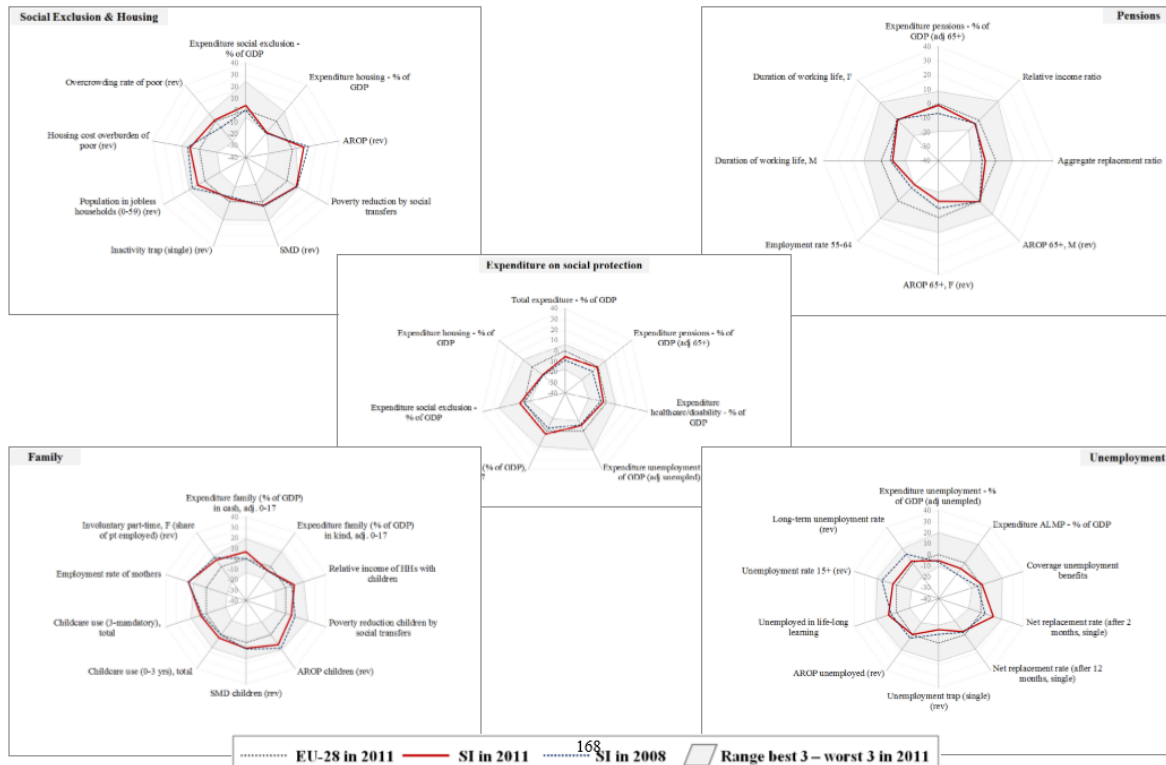


Table B.24: Overview Indicators – Actual Values Slovenia 2011 and 2008

I. Orientation of Social Spending

Indicator	EU-28 2011	SI 2011	SI 2008	EU-27 2008
Total expenditure, % of GDP	29.0	25.0	21.4	26.7
Expenditure pensions, % of GDP (adj. 65+)	72.6	70.3	58.9	69.0
Expenditure healthcare/disability, % of GDP	10.3	9.5	8.7	9.7
Exp. unemployment, % of GDP (adj. unempl.)	23.0	13.7	12.4	25.9
Expenditure family, as % of GDP (adj. 0-19)	10.4	11.5	9.2	9.6
Expenditure social exclusion, as % of GDP	0.4	0.6	0.4	0.4
Expenditure housing, as % of GDP	0.6	0.0	0.0	0.5

II. Pensions

Indicator	EU-28 2011	SI 2011	SI 2008	EU-27 2008
Relative income ratio	0.91	0.87	0.86	0.86
Aggregate replacement ratio	0.54	0.47	0.45	0.51
AROP 65+, M	12.1	11.7	11.4	14.8
AROP 65+, F	16.4	25.0	25.5	20.0
Employment rate 55-64	48.8	31.2	32.8	45.5
Duration of working life, M	37.6	35.1	35.4	37.3
Duration of working life, F	32.2	32.1	32.4	31.2

III. Unemployment

Indicator	EU-28 2011	SI 2011	SI 2008	EU-27 2008
ALMP exp - % GDP	0.5	0.3	0.1	0.5
Coverage unemployment benefits	30.0	33.0	24.8	31.0
Net repl rate (2 months, single)	58.8	76.0	64.0	
Net repl rate (12 months, single)	37.7	31.0	33.0	
Unemployment trap (single)	74.8	89.7	83.4	74.5
AROP unemployed	46.9	46.9	43.6	45.4
Unemployed in LLL	9.0	16.4	13.1	8.3
Unemployment rate 15+	10.5	8.2	4.4	7.0
Long-term unemployment rate	4.7	3.6	1.9	2.6

IV. Family

Indicator	EU-28 2011	SI 2011	SI 2008	EU-27 2008
Exp family - %GDP (adj 0-19) cash	6.6	8.3	6.6	6.4
Exp family - %GDP (adj 0-19) in-kind	3.8	2.6	2.6	3.2
Relative income HHs with children	0.94	1.03	1.00	0.94
Poverty reduction by social transfers, children	34.4	47.7	53.7	40.2
AROP children	20.8	13.5	11.2	20.1
Severe material deprivation children	11.8	5.9	5.4	9.5
Childcare use (0-3 yrs), total	30.0	37.0	31.0	27.0
Childcare use (3-mand), total	83.0	92.0	89.0	84.0
Employment rate of mothers	60.2	81.9	82.5	59.2
Involuntary part-time, F (share of PT employed)	24.9	10.0	8.9	24.4

V. Social Exclusion and Housing

Indicator	EU-28 2011	SI 2011	SI 2008	EU-27 2008
AROP	17.0	13.5	11.3	16.4
Poverty reduction by social transfers	34.4	46.4	48.6	34.9
Severe material deprivation	9.9	6.6	6.1	8.2
Inactivity trap (single)	56.1	59.6	63.0	54.8
Population in jobless HHs (0-59)	10.3	7.5	5.6	9.1
Housing cost overburden of poor	39.0	26.0	21.7	35.1
Overcrowding rate of poor	29.4	27.1	44.4	30.4