



Specific analytical support for the Social Protection Committee peer review meeting: Minimum Income Adequacy,

4-5 July 2024 – Riga, Latvia

Synthesis Report



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1. Introduction

Assessing the adequacy of minimum income benefits for individuals with low or no income is a timely topic, as vulnerable groups face increasing labour market fragmentation and precarious conditions amid economic downturn and inflation. In 2023, there were around 94.6 million people in the EU at risk of poverty or social exclusion, which was equivalent to 21.4 % of the total population¹. While poverty and social exclusion declined over the past decade, achieving the EU target set by the European Pillar of Social Rights Action Plan² of a reduction of at least 15 million people at risk of poverty or social exclusion in the EU by 2030 will require more efforts.

The various megatrends at play – such as the green and digital transitions, demographic change or growing polarisation in the labour market – may create further risks for lower-income households, hence also putting pressure on the design of minimum income schemes.

To facilitate the exchange of national practices and experiences on this relevant topic, the Ministry of Welfare of the Republic of Latvia hosted a Peer Review on 4-5 July 2024 organised by the European Commission's Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL). Representatives and experts from Latvia and seven peer countries (Belgium, Croatia, Cyprus, Lithuania, Poland, Slovakia, and Slovenia) convened to discuss measures and initiatives to ensure the adequacy of minimum income schemes and the sustainability of social protection systems. Representatives from the European Commission were also present.

1.1. Background of the Peer Review

Minimum income schemes comprise **last resort means-tested support** offered by national authorities to combat poverty and social exclusion. They provide financial aid to household to bridge the gap to a certain income level to meet basic living standards and live in dignity. Minimum income benefits are part of the wider welfare systems and are generally complemented with in-kind benefits giving access to services and targeted incentives to access the labour market.

While minimum income schemes exist in all Member States, their adequacy, coverage, take-up and effectiveness in supporting those with low or no income vary significantly. The Council Recommendation on adequate minimum income ensuring active inclusion³ (hereafter referred to as Council Recommendation) offers clear guidance to Member States on **how to ensure that minimum income schemes are effective in fighting poverty and promoting active inclusion in society and labour markets**. In terms of adequate income support, the Council recommends that Member States use a robust and transparent methodology to set and adjust minimum income to an adequate level.

The approach to setting minimum income benefits across Member States is varied, reflecting the diverse economic and political landscapes within which they operate. Latvia has been revising its minimum income policy to better support those in need, and since July 2023 the GMI threshold is established at 20 % of the national median income. However, in October 2023, the Latvian Constitutional Court ruled that – while the approach of anchoring the level of the benefit to the national median income is valid – the current level of this

¹ Data available on Eurostat: [Living conditions in Europe - poverty and social exclusion - Statistics Explained \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&code=sdg_8_10_1&plugin=1).

² <https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/>

³ [EUR-Lex - 32023H0203\(01\) - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2023/1604/oj)

benefit is insufficient to ensure a dignified life for those in need, prompting further review and discussion of the policy.

In this context, the peer review aimed **to evaluate the adequacy and impact of Latvia's minimum income schemes on poverty and social exclusion**. It also sought to offer Latvian authorities valuable insights from the experiences of other Member States, particularly regarding methods and criteria for determining the adequacy of social assistance.

1.2. EU policy context

From the EU perspective, examining social safety nets is crucial as labour markets across Member States undergo significant transitions, often resulting in fragmentation and precarious jobs. These changes are combined with recent developments such as lockdowns linked to the COVID-19 pandemic or inflation that increase the risk of vulnerable populations being left behind. Therefore, **robust safety nets** are essential to ensure that individuals feel protected from poverty throughout their lives, while they incentivise and support employment for those who can work.

1.2.1. EU orientations towards adequacy in minimum income policies

Minimum income benefits are means-tested support offered by national authorities in EU countries to combat poverty and social exclusion and ensure a minimum standard of living for individuals who have insufficient or no other means of financial support. Principle 14 of the **European Pillar of Social Rights**⁴ states that 'everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market.' In accordance with the European Pillar of Social Rights Action Plan, the **Council Recommendation on adequate minimum income ensuring active inclusion**⁵, adopted in January 2023, provides guidance to Member States to implement Principle 14.

Minimum income schemes are part of broader social protection systems, and finding the right balance between different protection schemes is a delicate and political challenge. The Council Recommendation emphasises the need for a **transparent and robust methodology** to determine the level of minimum income, taking into account several factors, including overall income sources, financial incentives to work, and purchasing power. Adequacy in minimum income policies goes beyond income support alone, and includes labour market activation measures and the provision of enabling and essential services. Minimum income policies aim not only to alleviate immediate financial strain but also to improve social outcomes by **facilitating activation and transition into stable employment**.

It is essential to consider overall income sources when assessing the adequacy of minimum income. Minimum income is just one piece of the puzzle. It should be evaluated alongside other forms of social assistance, such as housing benefits, family benefits, and net of income taxes and social security contributions. For instance, comparing the net

⁴ <https://ec.europa.eu/social/main.jsp?catId=1226&langId=en>

⁵ [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023H0203\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023H0203(01)&from=EN)

income of a person working full-time at minimum wage to the income of someone receiving social assistance helps identify gaps and assess poverty-reducing effects.

The adequacy of minimum wages is a key element to consider, as it highlights the income gap between social assistance recipients and those earning a low wage.

Financial incentives to work are crucial as they help bridge this gap, encouraging people to move from social assistance to employment. For example, in some countries, individuals can temporarily combine minimum income with income from work, facilitating a smoother transition from social assistance to the labour market.

Purchasing power must be considered to ensure that minimum income provides an acceptable standard of living. Reference budgets can be used to define baskets of goods services considered necessary to reach an acceptable standard of living, such as food, clothing and footwear, personal care, housing, and transportation. Constructing these budgets involves defining a list of items, determining quantities, and attaching prices for different households. Some EU-level initiatives⁶ have been trying to develop consistent methodologies to assess these factors across Member States, aiming for a more accurate and fair evaluation of minimum income adequacy.

The concept of adequacy in minimum income policies revolves around enabling individuals to afford a predefined list of items necessary and desirable to lead an adequate life. This multidimensional approach includes both **relative measures**, such as those based on the at-risk-of-poverty threshold (AROP), **and absolute measures** based on reference budgets⁷. In the Council Recommendation it is stated that these measures **are not mutually exclusive**, and there is a growing recognition of the need to creatively combine them to better capture varying economic realities across EU Member States.

According to the Council Recommendation, Member states should gradually achieve the adequate level of income support by 2030 at the latest, while safeguarding the sustainability of public finances. Moreover, Member states should regularly review and adjust the level of minimum income to maintain its adequacy.

1.2.2. Diverse approaches to determining minimum income level in the Europe

Minimum income policies aim to provide income support to ensure that individuals can afford necessary and desirable items, thereby preventing material and social deprivation. While **the concept of life in dignity encompasses more than just monetary values, determining adequacy implies the need for a monetary threshold to effectively assess and compare poverty levels.** These monetary thresholds can be used indirectly for monitoring and assessing the performance of minimum income schemes (e.g. at the EU level), or directly by embedding these parameters into legal or political frameworks (at national level).

In Europe, the wide variation in approaches to determining minimum income benefits underscores the complexity and diversity in ensuring these benefits adequately meet varying economic realities and social needs.

In terms of benefit-setting methodologies, some countries, such as **Germany, Estonia, Cyprus, Lithuania, Poland, Slovenia, and Sweden, explicitly base their minimum income benefits on a consumption basket** outlined in their regulations. Beyond these

⁶The European Reference Budgets Network and Measuring and monitoring absolute poverty (ABSPO).

⁷ Reference budgets are illustrative priced baskets of goods and services that represent an acceptable standard of living for a hypothetical household within a given Member State.

countries, reference budgets serve as tools in many other Member States in their specific approach to minimum income level.

Recently, **Bulgaria** and **Latvia** have introduced reforms tying their social assistance levels to the median income or the at-risk-of-poverty threshold (AROP), aiming to ensure fairness in **benefit levels relative to the income distribution**.

Conversely, **a significant number of countries do not have specific parameters linking their minimum income benefits in their legislation**; the law simply states a fixed amount without further criteria. However, underlying principles often inform these decisions implicitly, guiding how benefit levels are determined or assessed. **Italy** provides an example of using an absolute poverty indicator based on the reference budget methodology to assess the adequacy of its minimum income scheme, taking into account geographical variations in living costs. This approach acknowledges regional disparities and local cost-of-living differences that affect minimum income adequacy. Similarly, decisions to reform the minimum income scheme in **Luxembourg** were informed by newly developed reference budgets, illustrating a nuanced approach to enhancing adequacy.

There is also **a group of countries that link their minimum income level to other parameters**. In **Spain**, for instance, minimum income benefits are linked to the value of the minimum (non-contributory) pension, while **Austria** also uses the minimum pension level, as a but operates regional schemes in the absence of a national framework. In **Malta** the minimum income level is set at 60 % of the minimum wage, while **Portugal** and **Romania** tie their minimum income benefits to a reference index used for all social benefits.

2. Guaranteed Minimum Income: scheme and developments in Latvia

Latvian poverty reduction policy includes offering ‘progressive’ support, social assistance and social services based on households’ income. Households are categorised as ‘household in need’ and ‘low-income households’, each with varying levels of support received by household members (i.e. the low-income households receive less support than households in need). The GMI benefit recipients hold the status of ‘household in need’, and thus qualify for certain exceptions in social and public services (such as free public healthcare, etc.).

2.1. Main principles

The GMI benefit is a **non-contributory minimum income scheme** ensuring a minimum level of income for all permanent residents. This scheme is applied and administered by municipalities and is means-tested, with an obligation for beneficiaries to cooperate with municipal social services and public employment services. A gradual phase-out is foreseen if the person engages into employment.

The scheme is designed to consider in the **means-testing** income from any type of earned income, including paid work, state social insurance benefits, pensions, and income from capital, savings and assets (with certain exemptions). Types of income and assets that are exempted include allowance for care of a person with disabilities, payments for child maintenance at minimum level, transport support for persons with disabilities, scholarships for unemployed, as well as the property in which the applicant household lives, land not exceeding five hectares per household, one or two vehicles (depending on the household

type). Moreover, income received by a person is exempted for means-testing if at the time of submission of the application a household member has no income, and if their income were below the minimum wage within three months before application.

The GMI benefit is calculated as the difference between the GMI threshold and the applicant's average monthly income over the last three months. The duration varies depending on the household composition and eligibility criteria met. Households in need can simultaneously apply for **housing benefits**, as well as other **social assistance benefits**, such as universal in-kind social assistance (e.g. food, household goods). Households in need also receive exemptions to other public services (such as free public healthcare, etc.) and may apply for other social assistance benefits provided by their respective municipality, such as additional compensation of expenditure on medical supplies.

2.2. Minimum income methodology

In Latvia a **relative indicator** is used to determine the eligibility and amount of minimum income support: the corresponding thresholds are linked to **the median income calculated** from EU-SILC data. At 20 % of median income, the GMI threshold is set below that of the minimum contributory pension (currently at 25 %), with coefficients applied per household member to determine the level of assistance provided. GMI thresholds are set aiming to **preserve the motivation to participate in declared employment contributing to the social insurance system**.

This methodology has evolved over time: for many years, the GMI threshold, which depended on the government's decision, was low, due to budget constraints and concerns about the balance with minimum wage levels. In 2020, following the Constitutional Court's decision on the case initiated by the claim of the Ombudsman on the compatibility of the GMI threshold with the national constitution established that the GMI level was too low to ensure minimum preconditions for a life compatible with human dignity and cancelled the existing regulation. Hence, the government was obliged to revise the minimum income thresholds. A **new methodology** was introduced in two steps: at first setting higher income thresholds expressed in absolute terms, requiring regular amendments to the law by changing the relevant fixed amount and entailing the risk that future revisions would occur only at the minimum (i.e. once every three years). To mitigate such risk, the second step of the reform, in July 2023, set minimum income thresholds expressed as ratio (20 %) of the national income median. Yet, a later decision of the Constitutional Court deemed the income received by a household in need based on this threshold as insufficient for ensuring a life in line with human dignity and required the government to remedy the situation by 2025.

The impact of the 2023 reform of the minimum income policy cannot be fully assessed yet, as the latest SILC data on household incomes are available for 2021, though it may be presumed that the impact will be low, primarily due to the small share of GMI beneficiaries in the total population (2.8 % in 2023). Moreover, external factors, such as inflation on energy and food prices in 2022 also diminished the impact of the support.

3. Adequacy of social assistance: definitions and methods

Discussions revolved around measuring and monetising concepts like 'basic needs' and 'life in dignity' for social assistance adequacy. Participants reflected on two different concepts

to define monetary poverty: **relative to income distribution** (such as AROP) and **absolute concepts** based on reference budgets, each with distinct advantages and limitations. Participants debated how these metrics can effectively gauge the support provided to individuals to ensure a decent standard of living.

3.1. Variability in assessing basic needs and life in dignity

The target group of minimum income policies are **persons lacking sufficient resources**, which are defined by the Council Recommendation as 'persons with insufficient, irregular or uncertain monetary and material resources, which are indispensable for their health and well-being and for participating in economic and social life'. Measuring and monetising concepts like 'basic needs,' 'life in dignity,' and a 'decent life' is complex, as these concepts are subject to interpretation and change over time and can also depend on attitudes and traditions.

Member States vary in defining and assessing **'basic needs'** according to their national context, employing diverse methods that highlight variations in approach and implementation. For example, some Member States including **Cyprus** and **Lithuania** monitor basic needs using minimum subsistence baskets, which quantify costs for essential items. In contrast, **Latvia's** approach to basic needs is more extensive and includes a person's ability to obtain food, clothing, housing, health care, and basic education, as set by legislation, as well as the opportunity to participate in social, political, and cultural life, as defined by the Constitutional Court. Also in **Slovakia** the method proposed to calculate the so-called 'economic subsistence minimum' going beyond the current standard items encompasses a broader range of living conditions aspects, including social and cultural participation.

From the perspective of minimum income policies, the concept of **'life in dignity'** primarily focuses on the capacity of individuals to afford necessary and desirable items. Those unable to afford these essentials and without the capacity to fully participate in economic and social activities are deemed not to be living in dignity. **Lithuania** defines 'life in dignity' as full empowerment in decision-making, while **Slovenia** associates it with the ability to earn an income from one's work, emphasising employment as the pathway to an individual's empowerment and full realisation.

Legislative and political contexts also influence these concepts. While some concepts may be defined in legislation, they can be interpreted variably by social authorities, allowing for flexibility. Participants agreed that this flexibility across countries is not necessarily negative, as rigid definitions may hinder the concepts' evolution over time and may not fully account for cultural criteria reflecting national attitudes and traditions.

3.2. Methods and criteria for determining adequacy of social assistance

The adequacy of social assistance is determined through various methods and criteria across different Member States, often influenced by political, economic, and social factors, making the quest for an adequate monetary threshold a complex task.

Adequacy can be achieved by **lifting individuals above the national at-risk-of-poverty threshold** or **allowing the purchase of a nationally-defined basket of goods and services** reflecting the standards of living in a given Member State. In both cases, regular updates are needed to reflect possible changes in prices.

Latvia's scheme illustrates the first approach with a minimum income level set as a ratio of the national median income, seeking consistency with the country's socio-economic situation and balanced in relation to the minimum wage and minimum old-age pension. As an example of absolute measures, **Poland** bases its social assistance on price data from the central statistical office, ensuring that social assistance reflects current economic condition, and using two baskets for benchmarking social assistance intervention: an upper basket, which includes empowerment items like education and internet (covering 46 % of the population), and a lower basket, reflecting a subsistence minimum (covering 6.2 % of the population).

Participants discussed the advantages and limitations of concepts relative to income distribution. The main conclusions from participants regarding the relative concept to determine monetary poverty are outlined below.

Advantages

- Relative measures, compared to absolute concepts, **reduce the administrative burden** by using updated administrative data. This efficiency helps to easily streamline the process of determining social assistance needs across a country.
- These measures provide a **standardised way** to compare poverty levels across space and time, crucial for addressing inequality. Relative poverty measures effectively reveal societal disparities by comparing incomes.
- Relative measures are **straightforward to understand and communicate**. They link directly to economic development, making them accessible to policymakers and the public alike.

Limitations

- A significant drawback is the three-years lag in data (as the calculation is based on EU SILC data) which can make the measures **less responsive** to current economic conditions and urgent needs. Relative measures do not effectively address **extraordinary issues** like the energy crisis or sudden inflation, which can have a significant impact on living standards (however this risk is often mitigated by emergency payments). Additionally, they may not account for changes in purchasing power, which can affect the real value of social assistance over time.
- There is also the question where to **set the threshold** to determine monetary poverty, as any choice (e.g. 50% as opposed to 60% of median income) is largely arbitrary. Setting very simple but rigid rules can be problematic, especially during economic downturns. For instance, if median incomes fall, the GMI may also decrease, potentially leading to inadequate support. However, in **Latvia** there is a specific safeguard clause in place to prevent such possibility.
- Applying a uniform poverty line across diverse regions can fail to capture **local variations in cost of living**, such as the differences between urban and rural areas.

In contrast, many Member States primarily use absolute methods, though methodologies vary regarding the inclusion or exclusion of items in consumption baskets. These variations are based on assumptions about expenditure categories, household types, cultural and health considerations, and regional cost of living differences.

Participants discussed the advantages and limitations of absolute methods. The main conclusions from participants are outlined below:

Advantages

- Absolute methods to determine a monetary threshold, e.g. based on reference budgets, are **conceptually robust, comprehensive and transparent**.
- Reference budgets help estimating **minimum living costs** and are easy to adjust for price levels.

Limitations

- Calculating and updating the value of the basket is complex and **resource-intensive**.
- As 'essential needs' are **not universally defined**, normative considerations and decisions need to be made about what items and to what extent are included.
- Reference budgets are **not easily comparable** across countries.

In **Cyprus** the guaranteed minimum income is calculated as the difference between a household's total monthly income and the minimum subsistence basket, which covers basic needs. This basket was based on the Household Budget Survey (2009) defined by experts to reflect the actual spending patterns of low and mid/low-income households and was adjusted for inflation and updated in 2013. It includes considerations such as item composition changes, special needs expenditures, municipal taxes, public transport, health care, housing costs, and social inclusion.

In **Slovenia**, the minimum income benefit level is based on an estimate of the minimum living cost for an individual in the lowest income quintile and it is determined by evaluating both the cost of a basket of essential food and other necessary goods and services. The food cost is based on a balanced basket designed to meet Dietary Reference Nutrition Guidelines efficiently, as developed by the WHO Collaborating Centre at Metropol University of Copenhagen. The Slovenian approach distinguishes between short-term and long-term living costs. Additional costs are calculated using the reciprocal value of food expenditure relative to both basic and total living costs.

Some countries adopt methods that do not strictly adhere to either relative or absolute measures. In **Belgium**, the adequacy of social assistance is generally determined through political decisions rather than on transparent and objective criteria. This approach considers factors such as taxation and is tailored to individual and sectoral needs rather than offering universal coverage. The pilot project 'Reference budget for a decent income' (*Referentiebudgetten voor een menswaardig inkomen* - REMI) exemplifies this method by calculating the minimum income necessary for dignified living on a case-by-case basis, helping social workers and policymakers understand the income required for social participation.

The REMI pilot project (Belgium)

The pilot project 'Reference budgets for a decent income' (*Referentiebudgetten voor een menswaardig inkomen* - REMI) was introduced in 2022 to help policymakers and Public Centres for Social Welfare (PCSW) to gain an insight into the minimum income needed to participate in society.

Through the REMI application, social workers of the PCSW can check all income sources (which can also include those excluded from the calculus of the minimum income) and expenses of an individual minimum income claimant and calculate what is called a “worthy income for a life in human dignity” for the individual.

The REMI tool was developed by the Karel De Grote Institute for higher education and validated by scientific research. In total 407 (out of 581) PCSW are currently participating in the project.

In contrast, **Croatia** employs an indexation-based approach, adjusting social assistance levels according to the indexation rate. However, Croatia faces challenges due to the lack of detailed national data, which limits the ability to address rural poverty effectively and highlights the shortcomings of a uniform approach.

In conclusion, the adequacy of social assistance often hinges on political decisions at the national level, resulting in varied approaches across Member States. Reference budgets are employed by many countries. Despite their advantages, these methods are resource-intensive, involve ongoing debates, and require regular updates to stay relevant. In contrast, relative poverty measures offer significant administrative and comparative benefits, though they may not fully address diverse societal needs or adapt swiftly to economic changes.

4. Individualised support: minimum income and essential and enabling services

Participants examined how minimum income schemes should cover personal needs. They debated which sources of personal income should be considered in means-testing, and how goods and services provided in kind affect defining minimum income levels. Here, monetary benefit of minimum income is often complemented by essential, enabling services and activation services. Moreover, other monetary benefits, such as childcare or disability benefits come into play to cover for personal needs. The discussion also explored how other kinds of social assistance are linked to the level of minimum income.

4.1. Covering personal needs

Member States use different approaches to define and meet personal needs, either through minimum income schemes or by offering in-kind services or dedicated social assistance benefits like housing support. Having a full picture of the whole system, including how different benefits are interlinked, is essential, as in-kind benefits or targeted benefits (e.g. housing) may reduce the necessity for minimum income support. Additionally, it is worth noting that public perception of the support provided can differ, with in-kind support frequently undervalued. Latvia used to have a higher proportion of in-kind support, but now it focuses more on direct social assistance. In **Croatia** the social workers have the responsibility to assess each individual case and decide whether to provide services in-kind or through a money transfer.

The differences in relation of what is considered as ‘essential needs’ is reflected by the different items composing reference baskets across Member States. While some elements, such as food and clothing, are considered universal, the inclusion of other types of items (e.g. communication devices, transportation) might vary. In **Cyprus** the minimum consumption basket is based on actual consumption patterns, defined in collaboration with Cyprus Dietetic Association. In **Slovenia** the reference basket includes essential food

based on the ‘Dietary Reference Nutrition Guidelines and the Reference Target Values for nutrient intakes’ provided by the National Institute of Public Health, and on the methodological approach developed by the World Health Organisation.

4.2. Means-testing

Member States also adopt different approaches regarding **the inclusion or exclusion of specific income sources in the means-testing** to calculate minimum income. In most cases income from work, pensions, capital, unemployment benefits and properties (excluding the main residence) are included in the calculation, while permanent benefits (e.g. invalidity or family incentives) are usually excluded. The type and duration of previous employment taken into account can vary. In some cases, portions of income from work are disregarded to incentivise employment: for instance in **Belgium** it is disregarded to EUR 253.88 per month, in **Cyprus** a substantial part of the income from work for the applicant’s adult children is not taken into account and in **Latvia** the income from employment in the preceding three months is excluded if the average income of the person was equal to or below the minimum wage. In general, allowances, scholarships and specific benefits tend to be excluded from the calculation (completely or partially). Child benefits are excluded in Croatia, Italy, Latvia and Slovakia (but not in Cyprus).

4.3. Essential and enabling services

In parallel to minimum income, **access to enabling services** like housing, healthcare, childcare, and education, essential services, such as access to water/sanitation, transport and energy and social inclusion services like counselling and coaching are generally provided to those in need. These services play a key role in **facilitating social and labour market integration**. As often access to those services remain an issue, minimum income schemes can be link to the provision of these services.

For instance in **Latvia** housing benefits are interlinked with the minimum income threshold and is calculated as the difference between the sum of the GMI thresholds for a household, the total household income and actual expenditure for housing. In **Cyprus** these services include rent subsidy, disability benefits, care, extraordinary needs (e.g. covering unexpected house damages), discounts on electricity bills, free public transportation and free medical care.

On the other hand in **Lithuania** cash social assistance and compensation for services such as water and heating are treated independently from minimum income. In **Belgium** there is no link between the minimum income, which is a federal competence, and housing benefits which are regional competences. However, as beneficiaries of a federal minimum income meet the regional income thresholds for social housing, they are also entitled to social housing.

5. Interrelations between employment and minimum wage policies

Participants analysed how to define the relationship between social assistance and income from low-paid jobs, minimum salaries, and pensions, within the context of labour market activation policies (ALMP). They exchanged views on **the coordination of employment**

policies such as ALMP, minimum wage regulations, access to essential and enabling services with minimum income policies. The discussion also focused on individual responsibility for income provision.

Minimum income benefits need to be considered in the context of **essential, enabling and social inclusion services** and **tailored assistance** and incentives to access to inclusive labour markets. As mentioned above, this interplay between activation policies, employment services, minimum income and other benefits needs is ideally targeted towards social inclusion and inclusive labour market integration, especially for those who face multiple barriers.

5.1. Activation policies

In most countries present at the Peer Review, minimum income recipients are registered with employment services. The focus on activation is also considered in setting the level of minimum income levels, for instance the **Slovak** minimum income scheme focuses on activation via a low material needs benefit, which is the primary support for individuals in poverty, and the fact that recipients must participate in public works programmes to qualify for this basic benefit. Moreover, recipients of the material needs assistance also receive an activation allowance that is intended to support the acquisition, maintenance and development of knowledge, skills, practical experience, and work habits.

In **Cyprus**, activation measures are targeted towards different needs benefit recipients may have, such as disabilities, or those lacking social skills. There are training programmes and job placement schemes that allow recipients to gain the necessary skills and knowledge in order to be activated or re-activated into employment.

As pointed out by the host country **Latvia** during discussions and in the host country paper, nearly half of the GMI recipients of working-age adults are single-person male households, mostly aged 55 and older. This group faces multiple barriers to employment, in particular substance addictions and outdated low- or medium-level qualifications. They have worked in manual labour over their entire working lives leading to health issues and a lack of motivation for further qualification. This often also results in disability recognition and receiving relevant social services.

Supporting people who face several barriers toward employment, but also helping people who are not able to work to still participate in society were also aspects discussed at this Peer Review. In **Belgium**, the individualised project for social integration aims to provide tailored support for minimum income recipients to become more self-reliant, independent and socially integrated and, if possible, also towards integration into the labour market. However, country representatives also raised the question around universal provision of minimum income recipients versus targeting those most in need, also in order to save resources.

Individualised social integration project (Belgium)

In Belgium, minimum income recipients join a individualised social integration project which has become mandatory in 2016. Although it is not necessary for them to establish integration plans, they may receive a cut in benefits. Therefore, minimum income is in principle accompanied by an individualised social integration project which is agreed between the person concerned and the social worker at the Public Center for Social Welfare.

The mutual collaboration between the minimum income recipient and the Public Centre for Social Welfare allows to consider the expectations, skills, abilities and needs of the individual and the services of the centres. Ideally the project aims to activate for labour market integration, but also addresses social inclusion if employment is not possible. It addresses various barriers first, such as addiction problems or homelessness. Most minimum income recipients who participate in the individualised social integration project are under 25, here the project aims to increase the chances of vocational insertion through studies.

The municipal Centres for Public Welfare often perceive the individualised social integration project as an additional administrative burden. Social workers face a heavy workload, often guiding nearly 100 clients. Some Public Centers for Social Welfare argue that only clients with urgent needs should receive this targeted support, as most minimum income beneficiaries exit the system within a year, even without personalised support. Some social workers therefore propose that providing individualised assistance only to claimants with pressing needs could be more effective.

Moreover, a social activation approach may be necessary to address certain barriers (such as addiction) through social services as a preliminary step towards employment. Coordinated efforts between social services and employment policies can improve individuals' trajectories into the labour market. For those minimum income recipients who are (not yet) able to work, the Belgian social activation approach targets social inclusion before labour market participation.

Social activation (Belgium)

Social activation and participation policies are designed to stimulate societal engagement and reduce social isolation by encouraging individuals to engage in meaningful activities. These activities aim for social inclusion or as preliminary steps towards socio-professional integration, potentially leading to paid employment. Activities are also set up by the Public Centers for Social Welfare and there are mainly three different types of measures

- Firstly, promoting individual social participation, which includes enabling people to engage in cultural, sporting, and social activities, and improving their access to new information and communication technologies.
- Secondly, organising collective modules that supplement individual support, helping participants acquire practical knowledge and skills for daily life. Examples include courses and workshops on budget management, healthy eating, language acquisition, attitude training, dealing with authority, using public transport independently, and improving self-image.
- Thirdly, combating child poverty.

There is limited systematic and scientifically validated evidence on the impact of these measures, partly due to the inherent challenges in measuring and monitoring improvements in social capabilities and integration, as they do not have labour market integration as their main goal.

5.2. Transitions into work and minimum wages

Next to activation measures that incentivise starting a job, it is important that the **transition into employment** leads to higher income. In this context, the adequacy of minimum income is often compared with **income from work** at low wage levels (e.g. at the minimum wage). Participants of the Peer Review emphasised that income from work, so the minimum wage, should be higher than minimum income, in order to **incentivise employment**. The Directive on Adequate Minimum Wages⁸ establishes a framework to improve the adequacy of minimum wages and to increase the access for workers to minimum wage protection, thereby contributing to addressing in-work poverty and low-wage traps.

Minimum wages remain therefore a **benchmark of minimum income protection for workers**, not just those earning the minimum wage. It is important that minimum wages are reviewed and updated with overall wage growth for comprehensive anti-poverty strategies. In this context, setting minimum wages, in those countries where they exist, is also within the political debate of the participating countries of the Peer Review. For instance, introducing a minimum wage or raising minimum wages often sparks debates around potential job losses, while there is lacking evidence that this is really the case.

Moreover, next to the level of minimum income, **tapering of minimum income** can also help ensure that work pays. In many countries, minimum income benefits are still paid when recipients take up employment, depending on their income or the amount of hours they work. So transitions to work are incentivised by higher income. As some countries, like **Belgium** exempt part of work income from the means-testing for minimum income, participants highlighted that this can somewhat interfere with the goals of activation. In Belgium the disregarded amount is approximately EUR 255 per month, which results in beneficiaries taking up very small jobs in order not to exceed this amount, so they still receive the full minimum income. A second approach, for instance in **Lithuania** or **Croatia**, is that minimum income benefits are **retained for a transitory period**. Next to tapering of benefits, participants also emphasised that some **in-kind benefits** available to minimum income beneficiaries – such as free childcare – can also be very important for those who start employment, and should be phased out gradually.

Minimum wages and income are also crucial to ensure social protection in old age. In addition, in order to account for fairness of a life spent in employment, participants argued that minimum income should be **lower than minimum contributory pensions**. This is an important aspect for Latvia, as the minimum pension base is currently set at 25% of the national median income, posing a constraint for the possible increase in the level of minimum income support.

In conclusion, the debate during the event focused on defining how social assistance, minimum wages, and pensions interact to **incentivise or support workforce participation**. The consensus was that minimum wage and minimum contributory pensions must be higher than minimum income levels to encourage people to work and contribute rather than rely on social assistance. This includes implementing in-work incentives and tapering benefits to support the transition to employment.

⁸ [Directive - 2022/2041 - EN - EUR-Lex \(europa.eu\)](#)

6. Key policy messages

The conclusions drawn from the Peer Review highlighted that although there is a diversity of approaches to concepts and methods for establishing minimum income levels across countries, several key areas of consensus emerged. These are outlined below.

Ensuring adequate support and services

- The adaptability of monetary thresholds to an ever-changing economic environment is key to providing an adequate level of income support. This has led most Member States to implement regular updates or index to inflation.
- Next to minimum income, access to enabling services like housing, healthcare, childcare, and education, essential services, such as access to water/sanitation, transport and energy and social inclusion services like counselling and coaching should be available to those in need.

Activating employment in an inclusive labour market

- Discussions focused on defining how social assistance, minimum wages, and pensions interact to incentivise or support workforce participation. The consensus was that minimum wage and minimum contributory pensions must be higher than minimum income levels to encourage people to work and contribute rather than rely on social assistance. This includes implementing in-work incentives and tapering benefits to support the transition to employment.
- Employment policies should prioritise transitioning individuals from minimum income schemes to the labour market. Timely and targeted support is crucial to prevent prolonged detachment from the workforce. Differentiated support based on individual profiles, such as addressing health and mobility barriers, is essential for effective activation.
- Tapering benefits and services encourages work and financial self-sufficiency and adapts to individuals' changing circumstances. However, universal benefits, particularly for services like childcare, are crucial for social inclusion, and it is critical that individuals are not penalised for using these services.
- Collaborating with employers is vital for creating sustainable employment opportunities. The recently adopted Directive on adequate minimum wages ⁽⁹⁾ establishes minimum requirements at Union level and sets out procedural obligations for the adequacy of statutory minimum wages, with the aim of achieving a decent standard of living, reducing in-work poverty, promoting social cohesion and upward social convergence, and reducing the gender pay gap. In addition, adequate wages are crucial to avoid future low pensions and address broader issues like demographic changes and economic growth.
- A social activation approach may be necessary to address certain barriers (such as addiction) through social services as a preliminary step towards employment. Coordinated efforts between social services and employment policies can improve individuals' trajectories into the labour market.

⁽⁹⁾ Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union, OJ L 275, 25.10.2022, p. 33–47.

- Tax policies should align with social assistance policies to maintain work incentives. In some Member States, non-taxable income thresholds exceed minimum income levels, underscoring the need for coordination to maximise the financial benefits of employment and effectively support low earners.
- A transparent system promotes fairness and equity. Despite efforts to increase transparency and incentivise the reporting of work income, undeclared work remains an issue in some Member States. It is crucial to ensure that minimum wage and minimum income policies are adequate to prevent undeclared work. However, in specific cases where individuals are burdened with debts that need to be recovered, even the most well-designed policies may have limited effect, as these individuals may still prefer undeclared work to meet their financial obligations.

Balancing individual responsibility and social support in minimum income provision

- To balance individual responsibility with minimum income provision, it is essential to offer support that motivates employment while clearly outlining individual responsibilities. This approach encourages self-sufficiency while providing necessary assistance.
- A balanced system should reflect societal values of solidarity. Higher tax contributions result in more comprehensive benefits, as seen in the Nordic welfare model, which contrasts with countries that have lower tax rates and fewer benefits.
- Providing key services like childcare and elderly care is crucial for enabling individuals, especially caregivers, to enter or return to the workforce. This support helps activate those capable of working by addressing their caregiving responsibilities, thereby balancing individual responsibility with adequate income provision.

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