



Social Protection Committee Indicators Sub-group

SPC/ISG/2021/12/6b

INFORMATION NOTE FOR THE SPC ISG

UPDATE OF THE BENCHMARKING FRAMEWORK IN THE AREA OF MINIMUM INCOME

This document provides an update of the benchmarking framework in the area of minimum income developed by the Indicator Sub-Group of the Social Protection Committee (SPC). The framework has been approved by the SPC in June 2018, including its use in the European Semester in line with the EMCO-SPC agreement on benchmarking. This notes reuses the structure and text (adapted) of the note that had been presented to the ISG on the latest update of this framework.

1. Introduction

The benchmarking framework on minimum income focuses on the working age population with working abilities not in employment and not eligible or having exhausted entitlements to social insurance benefits. It is indeed an overarching challenge for minimum income schemes to be designed in such a way so as to be able to effectively alleviate poverty and foster social inclusion. This is reflected in Principle 14 of the Pillar of Social Rights¹, which 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 goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market.*

While at present all Member States have minimum income schemes, the design of national schemes varies significantly. Minimum income refer to benefits supporting income of people who are not (or are no longer) eligible for social insurance benefits. Minimum income benefits are non-contributory and means-tested, should be universal and their provision is a last resort instrument to combat poverty and social exclusion. Minimum income schemes interact with other benefits (in particular unemployment, family or housing benefits), but also with the design of tax systems (in particular as regards work incentives). There is for instance diversity in the level of support, the eligibility rules, which determine the coverage of

¹ https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

schemes, the provision of in-kind services, but also the degree of fragmentation of the national schemes.² Due to the complexity of the existing schemes, this benchmarking framework focuses on the working age population with working abilities that are not in employment and not eligible for social insurance benefits, or whose entitlement to such benefits has exhausted.³

This benchmarking framework should not be applied mechanically and should also be followed by country specific analyses. Such more in-depth analysis also allows to further ascertaining the specific situation in these Member States as regards their design of minimum income schemes, in particular in the light of the specific national circumstances, including complementarities between the different policy areas in the national context (e.g. in-kind services and benefits, taxation, public services and public administration, territorial dimension).

The benchmarking framework includes the following indicators (note: the revised definition of (quasi-)jobless households has been used for this update for most of the indicators where it appears):

<p>Outcome indicators</p> <ul style="list-style-type: none"> • Relative at-risk-of-poverty gap of the working age population (18-64) • Material and social deprivation rate of the working age population (18-64) • At-risk-of-poverty rate of the population living in (quasi-)jobless households (18-64)
<p>Performance indicators</p> <ul style="list-style-type: none"> • Impact of social transfers (excluding pensions) on the poverty of the working age population (18-64) • Persistent at risk of poverty rate of the working age population (18-64) • The benefit recipient rate for people at risk of poverty in (quasi-) jobless households (18-59) • Gap in self-reported unmet needs for medical examination (18-64) • Gap in housing cost overburden rate (18-64) • Gap in non-participation in training related to professional activity
<p>Policy levers</p> <ul style="list-style-type: none"> • Income of a minimum income beneficiary as a share of the at risk of poverty threshold • Income of a minimum income beneficiary as a share of the income of a low wage earner

² I.e. the extent to which different and separate means-tested benefit systems are organised for different groups within the population in need (pensioners, single parents, the unemployed etc.), with differing benefit levels, conditionality regimes and eligibility conditions.

³ The specific situation of children living in related households (to the extent that children most generally live in households with working age adults) is also covered by the framework.

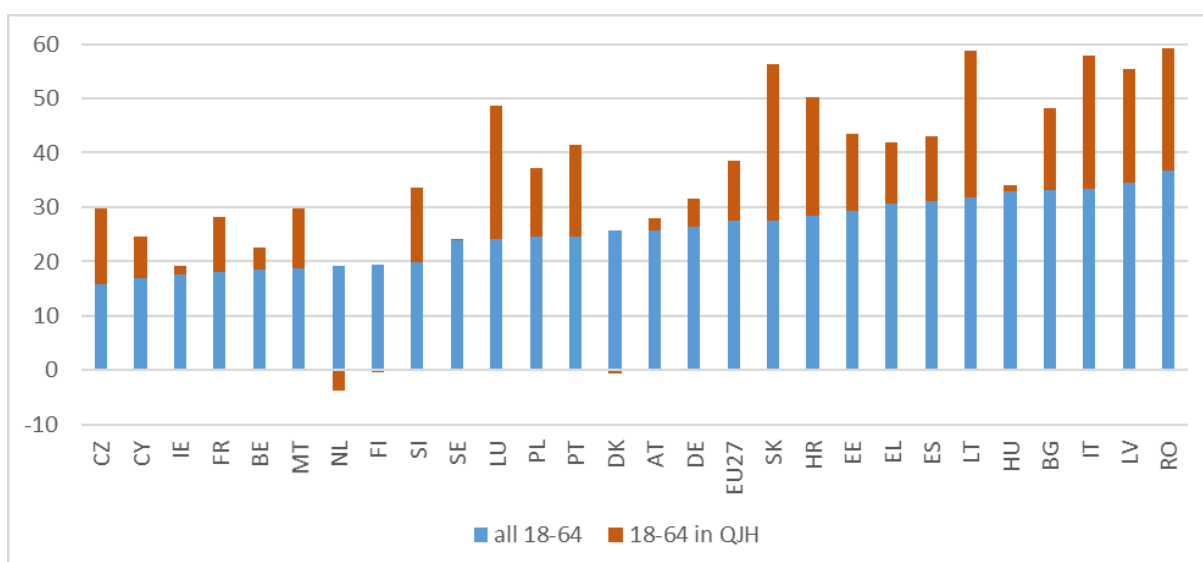
2. Outcome indicators

The benchmarking framework in the area of minimum income includes three outcome indicators that focus on the various aspects of poverty or exclusion concerning the working age population and, where relevant, use a breakdown for the population from quasi-jobless households, as minimum income benefits impact more significantly the population living in these households. The indicators selected are as follows.

- The **relative at-risk-of-poverty gap of the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64)).

This indicator measures the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold itself. It is expressed as a percentage of the at-risk-of poverty threshold and helps quantify the income situation of these people.

Chart 1 - Relative at-risk-of-poverty gap (in %) of the working age population (18-64) with breakdown for (quasi-)jobless households (18-64) (SILC 2019)



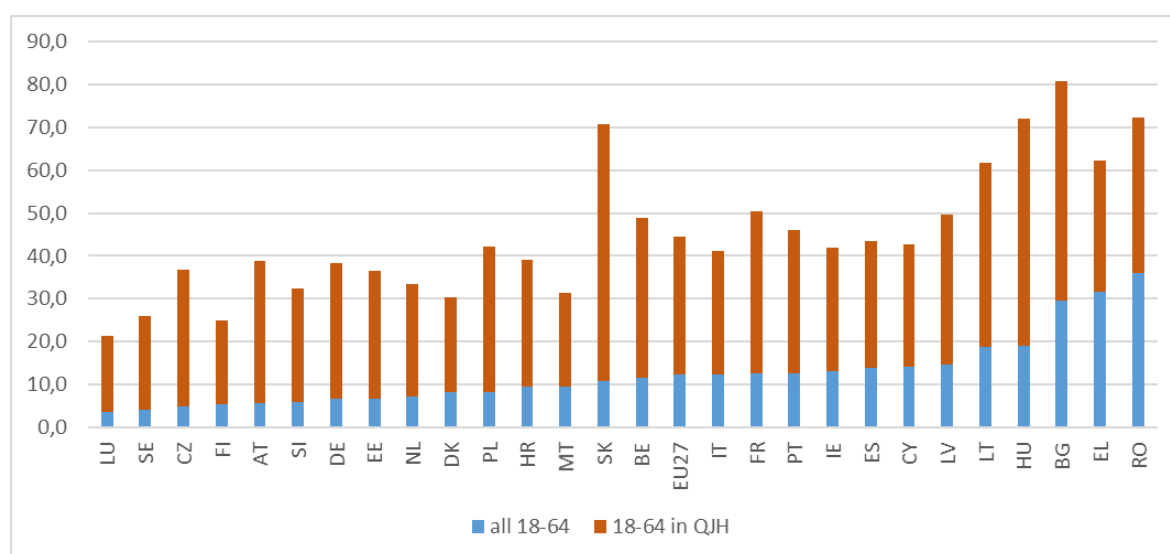
Source: Eurostat data.

- The **material and social deprivation rate of the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64)).

This indicator provides a measure of material deprivation. It is based on a list of 13 items, out of which 7 relate to the household (e.g. face unexpected expenses, keep home adequately warm) and 6 relate to the individual (e.g. have two pairs of properly fitting shoes, have regular leisure activities). The material and social deprivation rate is the share of people lacking at least five of the above items⁴.

⁴ Additional information about the indicator may be found [here](#).

Chart 2 - Material and social deprivation rate 18-64 with a breakdown for (quasi-)jobless households (18-64) (SILC 2019)

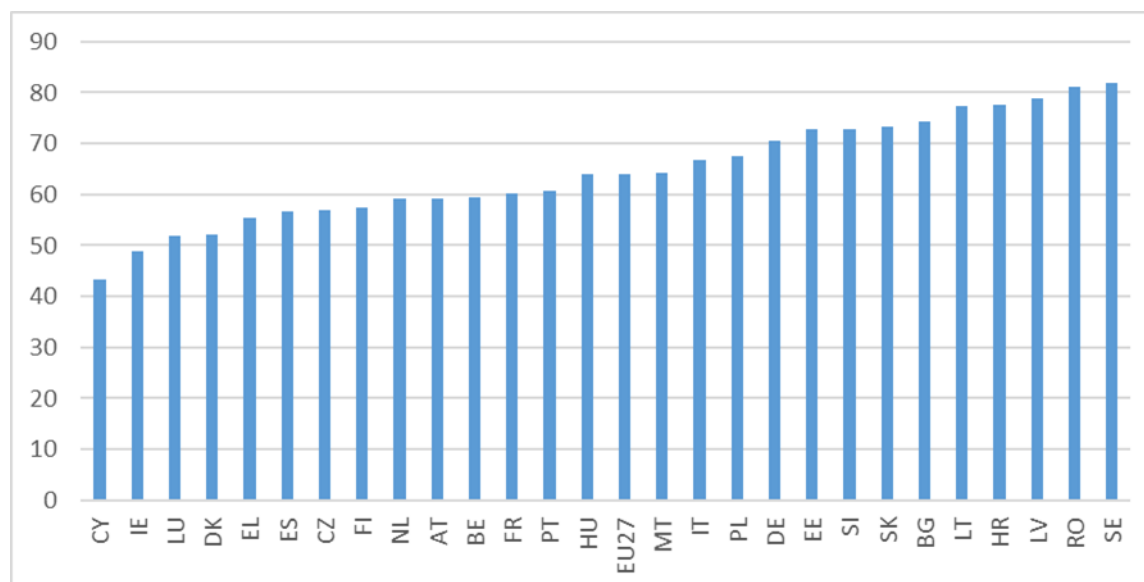


Source: Eurostat data.

- The **at-risk-of-poverty rate of the population living in (quasi-)jobless households (18-64)**

This indicator provides a measure of relative income poverty – the proportion of people aged 18-64 living in (quasi-)jobless households whose disposable income is below the national at risk of poverty threshold.

Chart 3 - At-risk-of-poverty rate of the population living in (quasi-)jobless households (18-64) (SILC 2019)



Source: Eurostat data.

3. Performance indicators

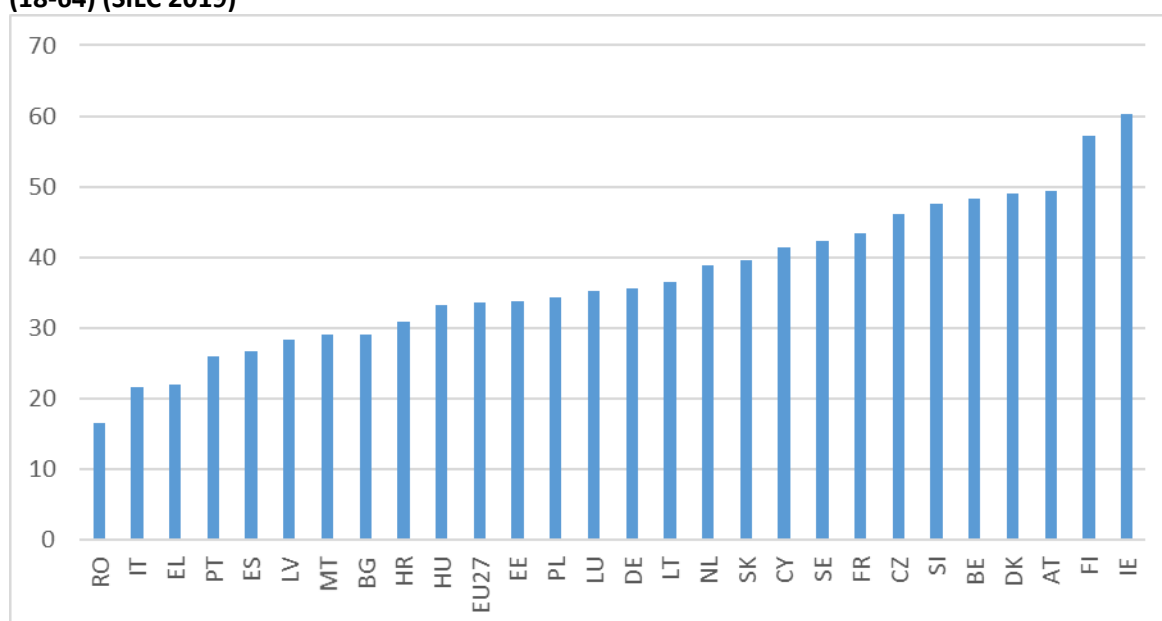
Outcome indicators can be influenced by a number of factors outside social policy. To allow more focus on the design of minimum income benefits, performance indicators more directly related to policy design were included in the benchmarking framework.

The performance indicators examine the impact on income and the coverage of schemes, as well as to the gaps in access to services between potential minimum income recipients and the rest of the population. Similar to the outcome indicators, the focus is on the working age population, where possible focusing on people aged 18-64 at risk of poverty from quasi-jobless households.

- The **impact of social transfers (excluding pensions) on the AROP of the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64))

This indicator measures the impact of social transfers on the AROP of the working age population. It is calculated as $(B-A)/B$ from the following two indicators (A: at-risk-of poverty rate after social transfers (standard poverty rate) and B: at-risk-of poverty rate before social transfers (excluding pensions)).⁵

Chart 4 - Impact of social transfers (excluding pensions) on the AROP of the working age population (18-64) (SILC 2019)



Source: Eurostat data.

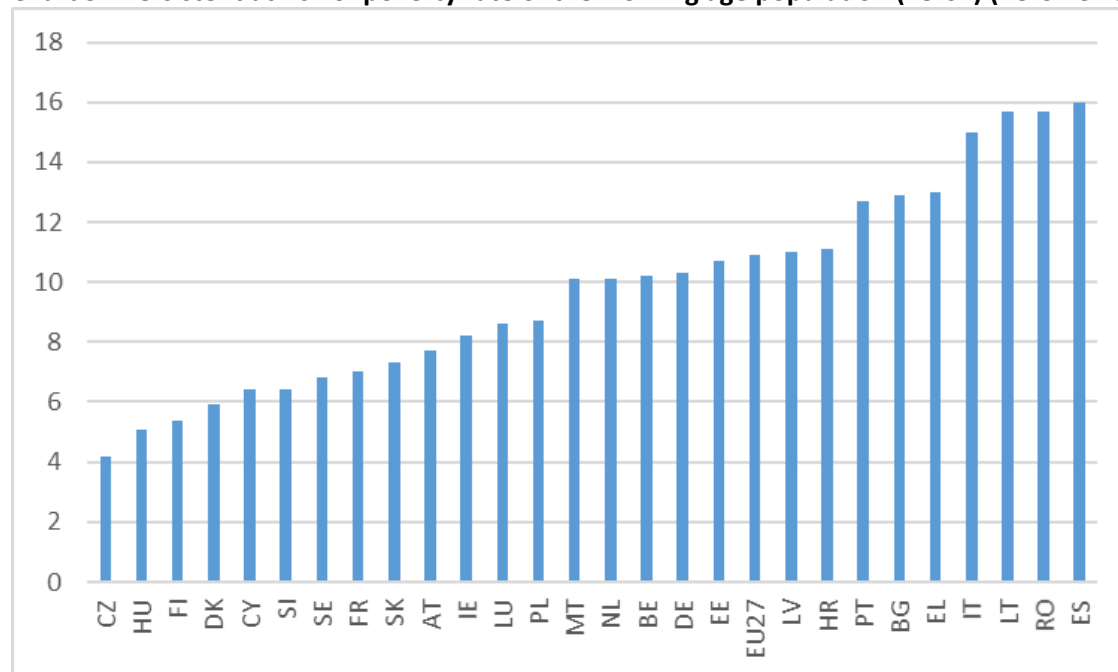
- The **persistent at risk of poverty rate of the working age population (18-64)** (complemented when relevant by the breakdown for (quasi-)jobless households (18-64)).

This indicator measures the percentage of the population living in households where the equivalised disposable income is below the at risk of poverty threshold for the current year

⁵ One may wish in addition to examine the specific impact of minimum income benefits on the impact on AROP, as captured by the impact of social exclusion benefits not elsewhere classified. However, in some Member States, minimum income benefits may be classified in another income category and this category can be broader than only minimum income benefits. In addition, this does not allow capturing the interaction with other benefits, as typically in the absence of such benefits, other means tested benefits may be higher. Similarly, one needs an assumption on whether the impact of such benefits should be considered at different stages of the income calculation. A higher end assumption consists in measuring the impact by measuring AROP when reducing overall incomes by only the amount of social exclusion benefits not elsewhere classified. It actually appears, all in all, that the relative performance of Member States along the impact of transfers to reduce AROP is very similar to the one when not accounting for this category of income.

and at least two out of the preceding three years. It allows capturing the dynamics of the AROP. The length of the spell also provides more information on the severity of the poverty risk.⁶

Chart 5 - Persistent at risk of poverty rate of the working age population (18-64) (EU-SILC 2019)



Note : data for SK from 2016.

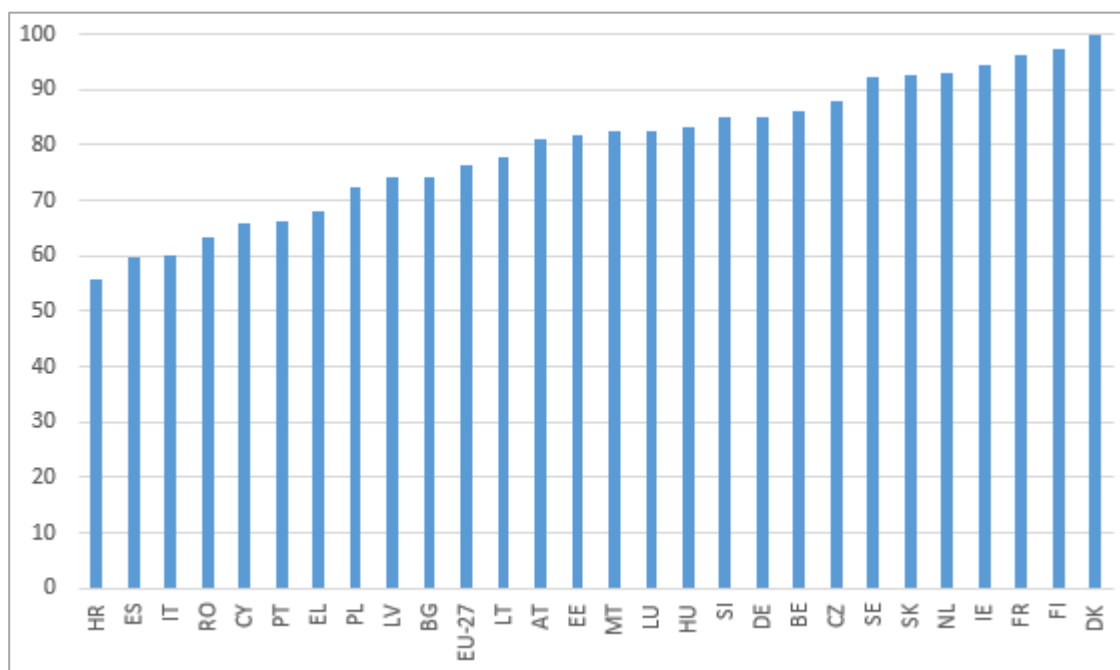
Source: Eurostat data.

- **The benefit recipient rate for people at risk of poverty in (quasi-)jobless households (18-59)**

This indicator measures the share of working age individuals receiving any benefits (other than old age benefits) among people (a) at-risk-of poverty (b) living in households with very low work intensity and (c) population at-risk-of poverty and living in households with very low work intensity. It is the only available indicator for assessing performance of the Member States in terms of reaching out to individuals and households at risk of poverty by income support provision. It fulfils and provides complementary information to other performance indicators. It was agreed that the indicator applying the population (c) will be used.⁷

⁶ This indicator could not be updated to SILC 2019 for (quasi-)jobless households. The related breakdown is provided in annex.

⁷ Note: what is presented below in the chart is the population (c) where persons living in households with very low work intensity is, so far still based on the old definition of (quasi-)jobless households (18-59).



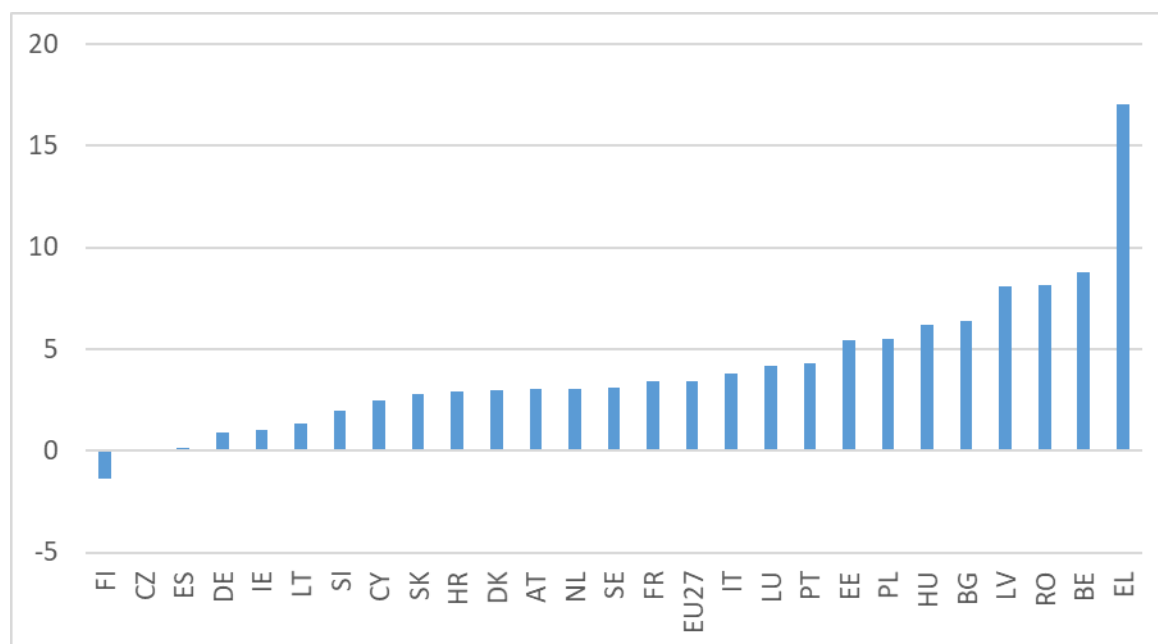
Note: old definition of (quasi-)jobless is used due to data availability.

Source: DG EMPL calculations.

Three additional performance indicators in the area of access to services aim at illustrating gaps in access to services for minimum income recipients and relate to the areas of healthcare, housing, and education. These indicators are based on EU-SILC and show the gap in access to a service between people aged 18-64 at risk of poverty from (quasi-)jobless households and those aged 18-64 not at risk of poverty from non-(quasi-)jobless households (note: the revised definition of (quasi-)jobless households is used in the indicators presented below except for Gap in non-participation in training related to professional activity for which the old definition of (quasi-)jobless households is still used due to data availability). The three agreed indicators are as follows.

- **Self-reported unmet needs for medical examination** (reason: too expensive or too far to travel or waiting list) – **gap** in p.p. between the share of individuals (18-64) at risk of poverty from (quasi-)jobless and the share of individuals (18-64) not at risk of poverty from non-(quasi-)jobless households.

Chart 7. Gap in self-reported unmet needs for medical examination (18-64) (SILC 2019)

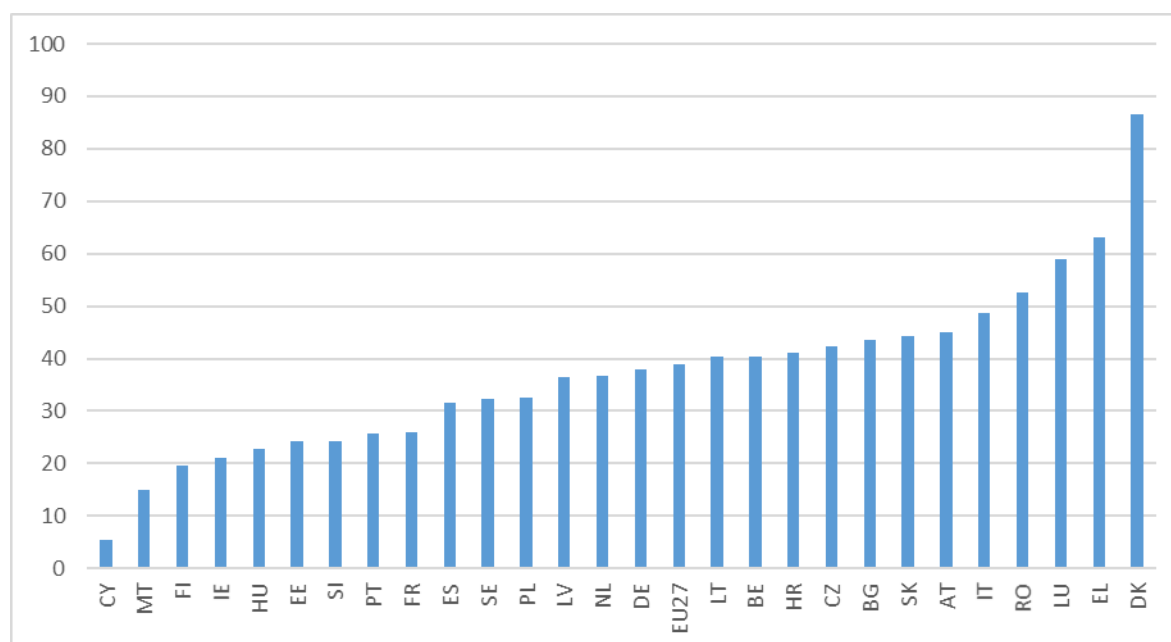


Note: data for MT not available.

Source: Eurostat data.

- **Housing cost overburden rate – gap** in p.p. between the share of individuals (18-64) at risk of poverty from (quasi-)jobless households and the share of individuals (18-64) not at risk of poverty from non-(quasi-)jobless households.

Chart 8 - Gap in housing cost overburden rate (18-64) (SILC 2019)

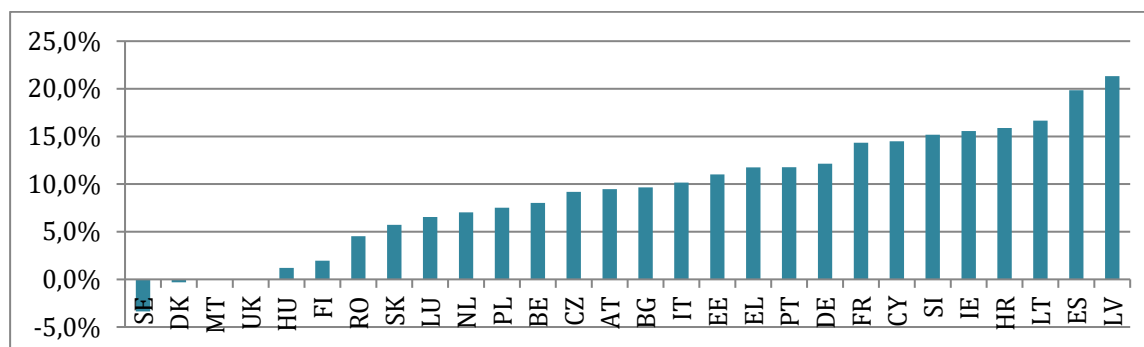


Source: Eurostat data.

- **Non-participation in training related to professional activity** (reasons 'no suitable available' and 'cannot afford it') – **gap** in p.p. between the share of individuals courses or

programmes (18-59) at risk of poverty from (quasi-)jobless households and the share of individuals (18-59) not at risk of poverty from non-(quasi-)jobless households.⁸

Chart 9 - Gap in non-participation in training related to professional activity (2016)



Source: Eurostat

The outcome and performance indicators can be used for cross-country comparison, also using the agreed methodology, used in the Joint Employment Report.

4. Policy levers

It was established that three key policy levers could be identified for minimum income schemes that are most likely to affect their performance: i/ adequacy of benefits, ii/ eligibility rules and take-up of benefits, and iii/ activation and access to services.

4.1 Adequacy of benefits

The level of financial support provided under a minimum income scheme has a direct impact on the ability of the scheme to alleviate poverty. The agreed general principle for this policy lever states that "the level of benefits should ensure adequate income support, and for those who can work, minimum income benefits should be combined with incentives to (re)integrate in the labour market".

Two indicators were agreed to measure the adequacy of minimum income benefits:

- the net income of a minimum income beneficiary as a share of the poverty threshold (smoothed over three years) and
- the net income of a minimum income beneficiary as a share of the income of a low wage earner (a person earning 50% of the average wage).

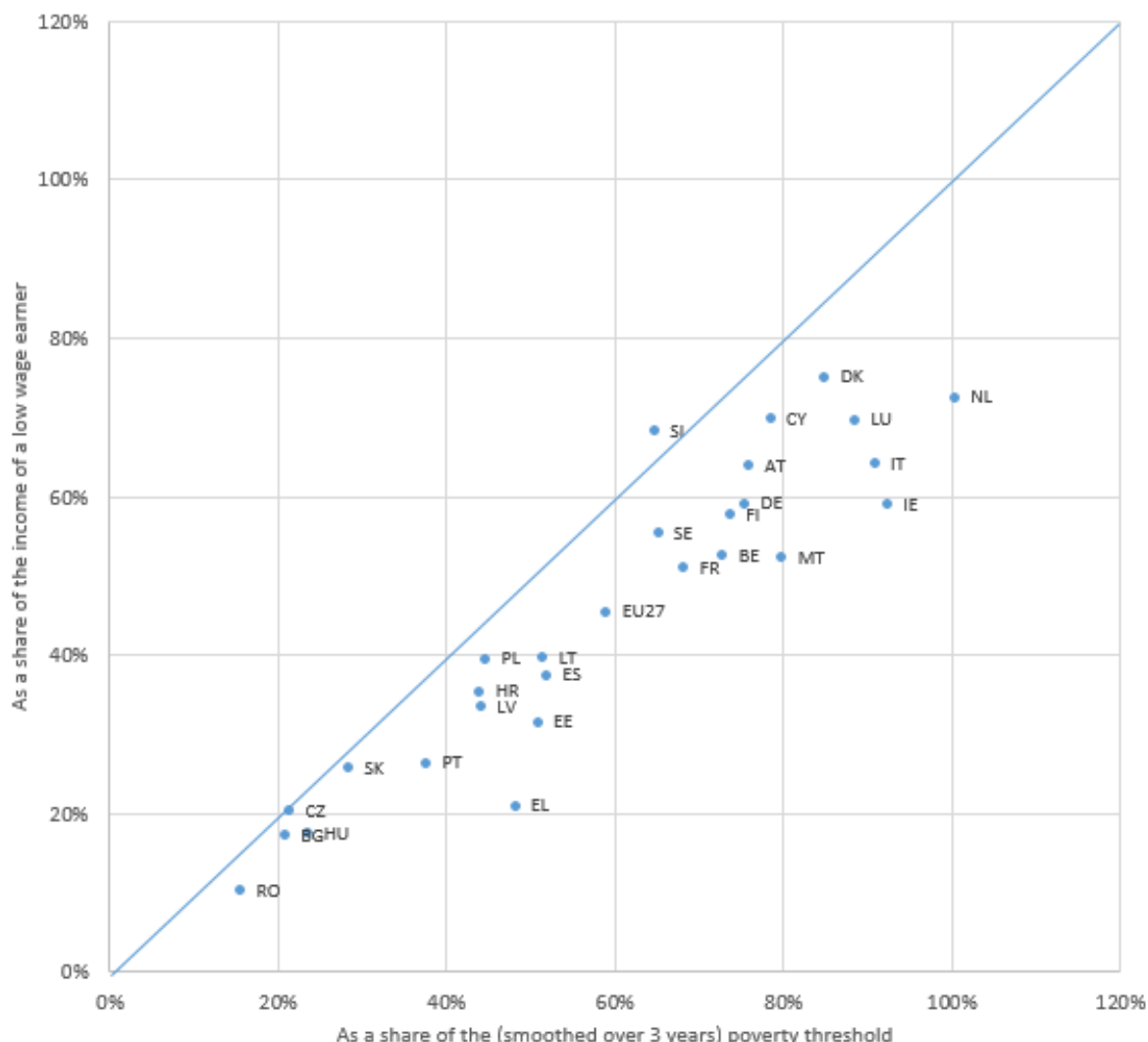
The first indicator gives an indication of the poverty alleviation effect of benefits, while the second one also provides an indication on how minimum income relates to the income of a low wage earner, thus also providing information on the activation dimension of schemes⁹.

⁸ Note: no more recent data is available for this indicator than data collected in the 2016 ad-hoc module, which was presented already in the previous summary note on this framework and which presented again below.

⁹ See also Cantillon et al. (2015).

As the interaction of minimum income benefits with other benefits can vary across households, these indicators are calculated for three household types: a single person with no children (main indicator), a single person with one child, and a couple with two children (Detailed information about the adequacy indicators may be found in Annex 1).

Chart 10 - Adequacy indicators, single person household (income year 2019)



Note: AROP threshold used for IE, IT, LU and LV doesn't include SILC 2020 AROP threshold. For IT, minimum income reflects the Reddito di cittadinanza scheme and low-wage is based on income year 2020. Source : Eurostat, OECD.

Both indicators¹⁰ are based on the OECD's TAX-BEN model, with some specific definitions and adjustments made. Since the at risk of poverty threshold (or median income reference) is affected by cyclical fluctuations, the first indicator makes use of a smoothing technique, whereby a moving average over a three-year period is used as reference. As regards the

¹⁰ Assumptions for housing costs used in the model: 11,3%AW for single person households, 18%AW for singles with one child, and 18,6% for couples with two children.

definition of a 'low wage earner',¹¹ for the ease of consistency (including with the OECD TAX-BEN model) it appeared easier to define low wages as a share of the average wage. Based on the available evidence it was agreed that a low-wage earner would be a person earning 50% average wage (30% average wage corresponding to a person working part-time).¹²

4.2 Eligibility rules and take-up of benefits

The agreed general principle for this policy lever states that "accessibility of minimum income benefits should be ensured, including by the universal and non-contributory nature of the schemes and adequate targeting of those living in poverty."

The main eligibility requirements applied in national systems include nationality/citizenship and/or residence, age, lack of financial resources, not having assets above a certain limit, and having exhausted rights to any other (social) benefits.¹³ The strictness of these criteria determine to what extent a scheme offers universal access to those living in poverty. In the literature the coverage of minimum income schemes is defined on the basis of eligibility criteria, showing the potential number of beneficiaries. The take-up of benefits refers to the share of those actually receiving the benefits out of those being entitled to the benefits. Coverage and take-up rates do not necessarily match, and the available evidence shows that the gap between the two is significant, sometimes very large.

No policy lever indicators have so far been agreed for eligibility and take-up. The benchmarking framework contains a related performance indicator (benefit recipient rate) and includes context information about the role of two factors in the eligibility of schemes, such as means-testing and residence requirements (on the details of this context information, please refer to note for the SPC/2018.06/2.2.)

4.3. Activation elements and access to services

The benchmarking framework has identified as a general principle for this policy lever to "ensure the right to participate in activation measures by providing enabling services and develop personalised and comprehensive systems of support, in line with activation conditions." This policy lever focuses both on the incentives to work for minimum income beneficiaries, as well as the extent to which schemes enhance recipients with better access to services. Income support should indeed be combined with access to enabling goods and services, while for those who can work there should be incentives to (re)integrate into the labour market.

¹¹ Low-wage earners may be defined as those with a wage below two-thirds of the country median hourly wage (Ponthieux, 2010). Another definition of low-wage earners could include all employees in the bottom two (or three) deciles in the group of low-wage earners (see Lucifora and Salverda 2009).

¹² Estimates of the level of low wages as a share of average wages from the Structure Earnings Survey (SES) which is produced every four years, covering firms with more than 10 employees, show that for full time employment it appears that the level of wages at the first decile is ranging between 40-60% AW. In addition, for countries with a statutory minimum wage, estimates of the level of minimum wages as a share of average wages (for full time employment) are produced by Eurostat and range from around 35% to around 50% AW. Moreover, a reference to low wage defined as 2/3 of the median can be derived from the fact that generally the median wage represents around 80% of the average, which corresponds then to close to 50% of the average (53%).

¹³ See Frazer and Marlier (2016) Minimum Income Schemes in Europe. A study of national policies 2015.

The benchmarking framework **does not include related policy lever indicators**. The benchmarking framework contains a related performance indicator (gap in access to services) and includes some context information in the area of activation of minimum income beneficiaries, in particular on financial incentives and activation requirements (on the details of the context information, please refer to note for the SPC/2018.06/2.2.)

Annex 1.

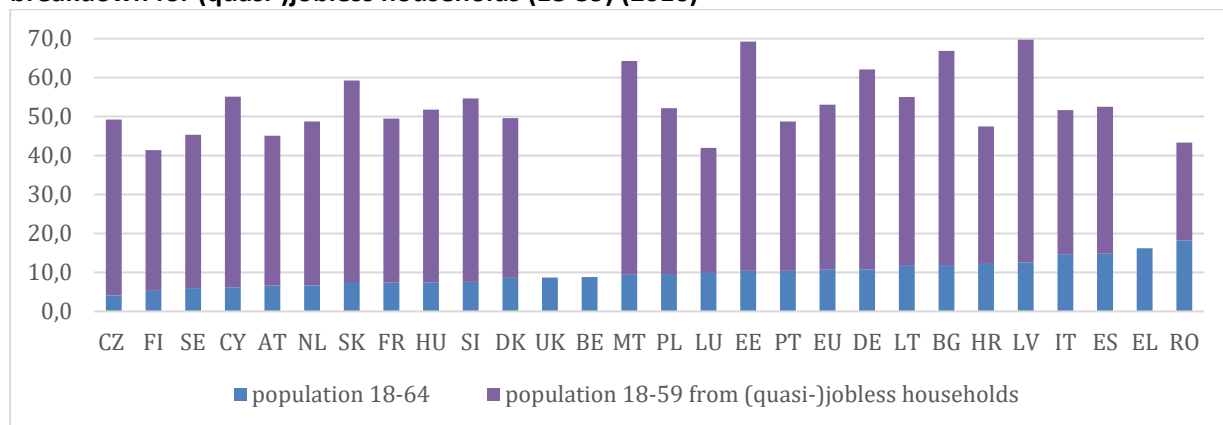
Table A1 - Adequacy indicators (2019)

	Single person household		
	Net income (in national currency)	As share of at-risk-of-poverty threshold (over 3 years)	As share of income of low wage earner (50%AW)
AT	11,940	75.8%	64.0%
BE	10,926	72.7%	52.6%
BG	1,031	20.7%	17.3%
CY	7,608	78.4%	69.9%
CZ	33,462	21.3%	20.4%
DE	10,662	75.3%	59.1%
DK	116,496	84.8%	75.2%
EE	3,559	50.7%	31.7%
EL	2,400	48.0%	21.1%
ES	4,800	51.8%	37.6%
FI	11,144	73.6%	57.7%
FR	9,204	68.1%	51.1%
HR	14,400	43.9%	35.5%
HU	273,600	23.5%	17.6%
IE	14,138	92.3%	59.1%
IT	9,369	90.7%	64.2%
LT	2,422	51.4%	39.8%
LU	19,273	88.4%	69.7%
LV	2,130	44.0%	33.5%
MT	7,511	79.8%	52.4%
NL	15,242	100.3%	72.6%
PL	8,412	44.6%	39.5%
PT	2,276	37.5%	26.5%
RO	1,704	15.5%	10.4%
SE	100,383	65.0%	55.4%
SI	5,529	64.6%	68.3%
SK	1,409	28.3%	25.8%
EU27 (simple average)	/	58.9%	45.5%

Note:

- Net income in income year 2019 (except for IT), for a single-person household with minimum income benefit, takes into account minimum income benefit as well as other types of social benefits (if any).
- AROP threshold used for IE, IT, LU and LV doesn't include SILC 2020 AROP threshold due to data availability.
- For IT, minimum income reflects the Reddito di cittadinanza scheme and low-wage is based on income year 2020.

Chart A1 - Persistent at risk of poverty rate of the working age population (18-64) with a breakdown for (quasi-)jobless households (18-59) (2016)



Source: Eurostat; data for IE not available; data for (quasi-)jobless households (18-59) for BE, EL, UK not available.