

## THE ISSUE OF LIVING MINIMUM: THE COMPARISON OF SELECTED EUROPEAN COUNTRIES

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### Abstract

The living minimum is generally considered in the Czech Republic to be the lowest societal value recognised by a given country for the survival of persons in difficult life situations. Individual countries accord both different names and contents to this instrument. This article aims to compare the concept of the living minimum between the Czech Republic and Germany, France and Great Britain by qualitative analysis. Also, the amount of social benefits related to the fulfilment of the living minimum is anchored thereof with respect to price levels, the average and minimum wages. Foreign experience with the institute of the living minimum tells us that on the one hand, we can continue with developing a client-oriented social system which helps people in a difficult situation. On the other hand, the regular review amount of the safety net benefits is also important, the social benefits are 3-4 times higher than in the Czech Republic, so that the institute of the living minimum fulfils its function and meaning.

### Keywords

Living Minimum, Social Policy, Social Benefits, Minimum Wage

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### I. Introduction

Anyone can find themselves in a difficult situation during the life course, concerning which developed countries provide for the care of their citizens and help them to overcome difficult life stages. The system via which such state aid is provided is ensured by an instrument known as the living minimum, the basic setting of which relates to satisfying basic survival needs, including e.g. food, clothing and housing.

The Czech Republic<sup>3</sup>, in the same way as other developed countries, perceives the living minimum as providing assistance which, in addition to satisfying a person's basic physiological needs, should also provide for participation in everyday social and economic life, thus allowing individuals (families) to maintain social ties and ensuring that they do not fall into deep material deprivation which, in turn, may lead to social exclusion. As Mareš and Sirovátka (2008) point out, long-term social exclusion leads to the creation of a culture of poverty. It constitutes an adaptation mechanism that allows such persons to survive in their life environment. Importantly, the inability of excluded persons to participate effectively in the economic, political, cultural and social life of society constitutes both a personal risk for the individual and a risk for society as a whole.

The aim of this article is to examine whether the selected EU countries attach the same weight and importance to the social protection of their populations and to evaluate whether the results may inspire reform in this area in the Czech Republic. Germany, France and Great Britain were selected for comparison purposes due to the specificities of their social systems. Due to its close proximity to the Czech Republic, Germany was adopted as the model for the establishment of the Czech living minimum system in the 1990s. However, the system in Germany was

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<sup>3</sup> According to the definition of the living minimum in the Czech Republic (Act No. 110/2006 Coll., on the living and subsistence minima).

subsequently reformed. France, which historically had a sophisticated but often confusing social system characterised by a large number of exceptions and additions, also proceeded to reform its social system. Great Britain has a system based on the Anglo-Saxon rather than continental legal system. While the purpose of the living minimum in the UK is based on the same principles, its amount as recognised by the relevant fiscal authority is not defined by the needs of the poor in terms of subsistence. All three of the countries selected for comparison are large, economically strong EU-member countries with substantially richer economies than the Czech Republic.

## **II. Literature review**

The approach to providing assistance varies considerably between different countries. Moreover, the living minimum is adapted to the country's economic conditions and is based on a political consensus that results in its anchoring in national legislation. But, the fulfilment of the concept of the living minimum is one of the key social indicators of the achieved level of the country's well-being and its national economic security (Kormishkina et al., 2018). The public authorities are obliged to respect and protect human dignity (Ploszka, 2018); this principle is perceived by some states so strongly that they embody the concept of the living minimum in the highest legislative document - the Constitution.

Economic-, social- and cultural rights (shortly ESC-rights) must be based on objective criteria and adequate data which has to be evaluated properly (Egidy, 2011). The determination of the methodology of the living minimum involves a mix of expert knowledge, public reasoning and socio-economic statistics aimed at forming a budget standard (Deeming, 2017). However, the final determination of this standard is a political decision.

The recognition of the centrality of people's material conditions means that economic inequality cannot be ignored in any discussion of how to achieve a good society. An important fact is also the realization that 'good society' is not static. (O'Connor, 2018) Therefore, a regular review of the settings public systems, including the setting of the living minimum as a safety net, is necessary (Saunders, Bedford, 2018). As Shpak et al. (2017) or Tyshchenko et al. (2018) point out, the low amount, or the non-revision of the living minimum benefit result in negative consequences for the whole of society.

Up to 2004, the Research Institute for Labour and Social Affairs worked intensively on the issue of the living minimum in the Czech Republic; the main authors of publications in this field were Vavrečková (1997, 1999) and Baštýř (2002, 2003). The research addressed primarily both the development of foreign best practice and the situation of the target group, i.e. individuals and families in difficult life situations. In addition, it is important to stress in this respect the importance of the social benefits system and the work of social workers as well as the quality of the public administration system and the provision of services in general (research by Baldini et al. (2018) confirmed that the subjective perception of satisfaction and poverty correlates with the quality of the public administration system; quality is deemed more important than quantity).

## **III. Methodology and the data employed**

Since it is not possible to present a comparison of the instrument in question, i.e. the living minimum between different countries without setting out the context, the paper will provide a brief introduction to each of the countries employing standard socio-economic indicators. State assistance for those in difficult situations is conditioned by how much the country's economy can afford to pay and the level of the living minimum that politicians are willing to anchor in legislation, both of which are reflected in the wealth of the country and its economic position in the global ranking. A further important indicator consists of the total population,

to which the text compares the number of unemployed and the number of foreigners. The level of unemployment in a country indicates how many people are eligible to claim the living minimum, while the number of foreigners indicates how much funding is devoted to those not from the majority population, which may disagree with the payment of a high living minimum to members of minority groups. The brief statistical presentation subsequently allowed for the compilation of an overview of those to whom funding earmarked for the living minimum is allocated from the state budget.

This will be followed by the determination of an approximation of the social benefit corresponding to the Czech living minimum, its current level and possible limiting factors. Moreover, the paper will comment on those reforms that have been introduced over the past 20 years that have affected the functioning and logic of the concept of the living minimum, and monitor the main impacts on the amount of the living minimum and the effects on the definition of which expenses (incurred by individuals and families) should be included in this benefit. A quantitative comparison of socio-economic indicators is complemented by a qualitative analysis of the functioning of the living minimum in the selected countries.

As already referred to in the introduction to the article, the definition of the extent of the living minimum varies between countries. The Czech Republic links the extent of the living minimum to the international classification of consumption – the Classification of Individual Consumption by Purpose (COICOP). Thus, the individual extents of the living minimum benefit will be investigated so as to be able to draw a meaningful comparison between the four countries, with the Czech Republic forming the base level.

#### **IV. The living minimum in selected countries**

In developed economies, the discussion of the nature, meaning, and logic of the living minimum has ended in the 1960s to 1980s. However, states that joined the European Union after 2004 have not undergone this development. Anchoring the living minimum is essential for their future. What is also common to post-communist countries is the fact that the living minimum generally does not fulfil its function. This is not only a problem of the Czech Republic.

There is no reason to compare these countries with each other. As a result, the Czech Republic has one of the highest values, but in the non-functioning systems. The article focuses on defining the dysfunction of the fundamental social pillar for people in difficult life situations. Non-fulfilment of the concept of the living minimum causes conflict in society. Therefore, the comparison must be made with countries where this concept works at least better than in the Czech Republic. A functioning system means securing people in difficult situations, signing up for political responsibility to address these situations through public policies. Selected countries, despite different size (higher population, thus also a larger target group), can be an inspiration for the Czech Republic. At the same time, the Czech Republic wants to approach economically and reach their standard of living.

##### **The Czech Republic**

The Czech Republic is a central European country with a population of 10.6 million as of 2018, of which almost 4.9% are migrants (Eurostat, 2019a). Unemployment stood at 2.2% in 2018 (Eurostat, 2019b). It is ranked in forty-second place in the list of world economies (World Bank, 2019).

The Czech Republic adopted the German living minimum model in the 1990s. The most radical reform was introduced in 2006 when housing, that had previously been included, was removed from the calculation of the living minimum. Moreover, certain elements of reforms introduced to the German system were formally included in the Czech system at this time, such as the proactive approach of the Labour Office. However, this change was never adopted in practice

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since the financial crisis that commenced in 2008 meant that local Labour Office branches were preoccupied with the payment of unemployment and other social benefits, which left no capacity for the implementation of proactive policies.<sup>4</sup>

Over time, the social systems of the Czech Republic and Germany gradually diverged. The legislative definition of the living minimum consists of: “... *the minimum income threshold of physical persons that ensures nutrition and other basic personal needs.*” Individuals in difficult life situations are paid a living minimum (table No 1) allowance in the form of the emergency subsistence needs social benefit. Support for housing costs is addressed through other specific social benefits.

**Table 1: Living minimum**

	Living minimum per month (CZK)
Single	3 410
First person in household	3 140
Second and other persons*	2 830
Dependent child aged	
under 6 years	1 740
6 - 15 years	2 140
16 - 26 years	2 450

\* *who are not a dependent child*

Source: Authors, based on Ministry of Labour and Social Affairs data (2013)

The living minimum benefit is not time limited. In the context of contemporary Czech society, the benefit is paid out in a very low amount that is insufficient in terms of covering basic needs as defined in legislation. This is principally due to the fact that the value of the living minimum has remained unchanged since 2012, i.e. for over eight years; moreover, even in 2012 the amount was considered to have been set at a low level (based on 2010 data).

In contrast to other comparable economies, the Czech Republic has a highly homogeneous population structure. Thus, it cannot be argued that the majority population believes that foreigners live primarily from the living minimum and that, consequently, the amount of the living minimum should be maintained at a low level. Moreover, the unemployment rate in the Czech Republic is the lowest of any comparable country. Thus, it would appear that the wealth of the country constitutes a significant factor in terms of the amount of the living minimum. Alternatively, the living minimum is not generally considered a priority in the Czech Republic or the concept of social solidarity failed to evolve following the political and economic transformation of the early 1990s.

### Germany

Germany is a central European country with a population of 82.8 million as of 2018, of which 11.7% are migrants (Eurostat, 2019a). Unemployment stood at 3.4% in 2018 (Eurostat, 2019b). It is the fifth largest economy in the world (World Bank, 2019).

<sup>4</sup> At the outset of the economic crisis in the Czech Republic in 2008 there was a ratio of between 400 and 600 unemployed persons per one Labour Office clerk. Since then, the Czech Republic, as with other EU countries, has seen a significant decline in the number of unemployed and has made significant efforts to apply a client-based approach following the example of Germany. Thus, in 2017, there was a ratio of between 120 and 150 unemployed persons per one Labour Office clerk. Although this represents an improvement in terms of Labour Office personnel having the opportunity to work actively with their clients, the standard applied in Germany has still not been attained. (Rákoczyová et al, 2019).

Germany was the first of the selected countries to introduce the client-based reform of its social welfare system and has become a model for change in the social systems of most EU countries. Thus, similar elements can be found in the systems of Great Britain, France and the Czech Republic. The reform of the social system began in 2002 and currently the fourth version (Hartz IV<sup>5</sup>) is in force.

Germany was the first country to transform its employment offices into so-called Bundesagentur für Arbeit (Labour Agencies) in an effort to more clearly define their mission and aims. In addition, so-called Job-Centern (Job Centres) were established so as to consolidate the activities of several offices - Sozialamt, Arbeitsamt, etc. The aim was that Job-Centern counselling would be provided by specially-trained personnel. While previously 350 unemployed persons were assigned to one clerk, the objective was that the number of unemployed per clerk would be reduced to 75, i.e. the standard number of clients per clerk that, according to the client-based approach, allows the clerk to work efficiently and effectively. This boldly conceived reform resulted in the “Bundesagentur für Arbeit” becoming one of the largest administration authorities and one of the largest employers in Germany. In 2018, the authority had 96,200 employees (Bundesagentur für Arbeit, 2018).

Prior to the introduction of the above reform, the living (subsistence) minimum was termed the Existenzminimum. However, in order to prevent the stigmatisation of individuals receiving social benefits, the name of this benefit was changed to Unemployment Benefit 2 (Table No 2 shows the amount of the benefit). At the same time, several benefits were merged into one simplified system wherein the purpose of the benefits was no longer specified, thus alleviating the social stigmatisation and potential social exclusion of persons receiving specific social benefits. However, this did not mitigate the stigmatisation of persons due to living purely on social benefits.

**Table 2: Unemployment Benefit 2**

	Unemployment Benefit 2 per month (€)
Single	416
Second and other persons*	374
Dependent child aged	
under 6 years	240
6 – 14 years	296
15 – 18 years	316
19 – 26 years	332

\* *who are not a dependent child*

*Source: Authors, based on European Commission data (2019a)*

This benefit is not time limited. However, the payment of the benefit is subject to strict conditions, the failure to adhere to which may result in the withdrawal of the right to the benefit.<sup>6</sup> This benefit, as in the Czech Republic, is not intended to help with housing costs, i.e. housing is covered by a specific housing benefit (Hilfe zum Lebensunterhalt)<sup>7</sup>.

<sup>5</sup> The reforms were named after the chairman of the special commission (Peter Hartz) that initiated the reform of the system in 2002.

<sup>6</sup> Such conditions are aimed at motivating clients to actively cooperate with the Job-Centern. If the conditions are not met, the amount of the benefit is reduced; gross violations may result in the complete withdrawal of the benefit.

<sup>7</sup> In contrast to the Czech living minimum, the costs of housing-related energy are included in the German living minimum. However, since the amount of housing-related energy costs is not known, we do not take this factor into account in the statistics.

The German fiscal authorities perceive the security of, and working with persons in difficult life situations as a social commitment and approach their work accordingly, i.e. by working actively with such persons through qualified social workers. The amount of the living minimum is reviewed on a regular basis and is valorised annually.

## France

France is a western European country with a population of 66.9 million inhabitants, of which 7.0% are migrants (Eurostat, 2019a). Unemployment stood at 9.1% in 2018 (Eurostat, 2019b). It is the tenth largest economy in the world (World Bank, 2019).

From the 1950s, France created a very sophisticated but very complicated and sometimes confusing social system. The need for systemic reform was recognised as early as in 1988, at which time persons on low incomes were entitled to claim up to eleven different social benefits. For this reason, the Revenu Minimum d'Insertion (Guaranteed Minimum Income) was introduced.

In the following years, however, history repeated itself as the social system once again began to expand and to become overcomplicated. In addition to the Revenu Minimum d'Insertion, a further eight new benefits were introduced, the most noteworthy of which were the Allocation de Solidarité Spécifique (Special Solidarity Allowance) and the Allocation de Parent Isolé (Single Parent Allowance). The amounts of the various benefits were relatively low and, although they reduced the severity of poverty, they had little effect in terms of preventing the spread of poverty. Furthermore, their diversity and the different ways in which they were implemented, rendered the social system difficult to navigate. Moreover, there was criticism of the associated potential or real risk of demotivation to secure employment (Legros, 2009).

Under the weight of such criticism, the French social system was reformed once more in 2009 with the introduction of another single benefit known as the Revenu de Solidarité Active (Active Solidarity Income) which represents the minimum value of household income, the amount of which is determined by the composition of the household.

This new approach replaced a total of nine individual benefits<sup>8</sup>. At the same time, the reform transformed the social system into a German-style client-oriented system that included elements of actively working with clients. The system included the setting of motivational obligations for the client, the non-observance of which results in the reduction or even withdrawal of the benefit.

**Table 3: Revenu de solidarité active (income support benefit per month in €)**

	single person	single parent	couple
number of dependent children			
none	545.48	700.46	818.22
1	818.22	933.94	981.86
2	981.86	1,167.43	1,145.50
per additional child	218.19	233.48	218.19

Source: Authors, based on European Commission data (2019b)

<sup>8</sup> This single benefit was in fact supplemented by a further five benefits at the outset; however, they addressed specific cases. This reform, in contrast to that of 1988, maintains the spirit of the French social system which is based on detailed social situations in which persons may find themselves. Thus, it contains a large number of exceptions for specific cases.

If the household receives an income<sup>9</sup>, the living minimum benefit (table No 3) is reduced by the amount of that income. This benefit, as in the Czech Republic, is not intended to assist with housing costs.

Ironically, efforts to simplify the French social system always seem to result in the development of an exceptionally complicated system and, despite huge efforts being expended, the structure of the system is difficult to comprehend. The French fiscal authorities have, historically, recognised the importance of the social sphere. The benefit is valorised annually.

### **The United Kingdom**

The United Kingdom of Great Britain and Northern Ireland is an island kingdom with a population of 66.3 million<sup>10</sup> in 2018, of which 9.5% were non-UK-born (Eurostat, 2019a). Unemployment stood at 4.0% in 2018 (Eurostat, 2019b). It is the ninth largest economy in the world (World Bank, 2019).

As early as in the 1980s, Great Britain abandoned the definition of the (emergency) needs of the poor in terms of subsistence<sup>11</sup> following the conducting of the Breadline Britain survey in 1983 (Mack and Lanslay, 1985) which pioneered the consensual approach (see O'Connor, 2018) to the living minimum by investigating the public's perceptions of minimum needs and then identifying those who could not afford these necessities. At the time, this approach represented a revolutionary development in the social sphere. Today, however, the breadline is a line of people seeking food distributed by a charitable or government agency.

The social system in the UK has changed significantly over the last ten years inspired to a great extent by the afore-mentioned Hartz reforms in Germany. The main reforms to the UK's benefit system were introduced between 2009 and 2013. The aim was to ensure a more rapid and more flexible return of the unemployed to the labour market that would be achieved through increasing the number of qualified social workers at JobCentre plus branches. At the same time, the number of social benefits was reduced<sup>12</sup> and replaced by a single benefit known as the Employment and Support Allowance which can be claimed by those with no other income or incomes that are inadequate to cover their needs, i.e. it serves to meet basic needs with the exception of housing costs<sup>13</sup>. This approach best matches that of the Czech living minimum.

The reforms included a complete revision of those claiming existing benefits. For example, all applicants for the current Incapacity Benefit were reassessed via a medical assessment referred to as the Work Capability Assessment which divided claimants into three groups: fit for work; unfit for work but fit for "work-related activity"; or fit for neither. Social workers are thus able to objectively determine who should be able to find employment (quickly), who needs coaching and who is unable to work.

With respect to the new Employment and Support Allowance, claimants are divided into two groups, i.e. the work-related activity group and the support group. The first group receives the Employment Allowance; claimants have no objective barriers to securing employment or their problems can be solved via regular interviews with a social worker or counsellor<sup>14</sup>. The second group receives the Support Allowance; claimants have objective reasons for not participating in the labour market. While interviews with advisers are not automatically provided for this group, they can be arranged on request. However, the reality is that the probability of members

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<sup>9</sup> Exceptional items are defined that are not included in this income, as is the case in the Czech Republic.

<sup>10</sup> The size of the UK's population is very similar to that of France.

<sup>11</sup> Conversely, the Czech Republic retains the concept of subsistence up to the present day.

<sup>12</sup> The benefits that were abolished concerned persons who had lost their jobs, their ability to work, their fitness for work, etc.

<sup>13</sup> As in the Czech Republic, a special benefit is available in the UK for the support of housing, i.e. the Housing Benefit.

<sup>14</sup> Personal counsellors are responsible for assisting individuals to clarify their employment aims and to improve their skills.

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of this group securing employment in the labour market is practically zero<sup>15</sup>. The labour market in its present form is not prepared for such participants and probably never will be.

**Table 4: Employment and Support Allowance**

	Employment and Support Allowance per week (£)		Duration in days
	Up to 25 years	Over 25 years	
work-related activity group	57.90	73.10	365
support group	-	111.65	no limit

*Note: The work-related activity group rate is considered for comparison purposes since it represents the standard and most commonly applied rate in this context.*

*Source: Authors, based on Government UK data (2019a)*

Table No 4 presents only basic values; claimants may receive a lower or higher amount depending on the individual situation. Financial support is usually reduced in cases of failure to fulfil JobCentre plus obligations, such as the rejection of a job offer. Conversely, it may be increased due to health problems or unforeseen life situations.

**Table 5: The Benefit Cap**

	Outside Greater London		Inside Greater London	
	Weekly support (£)	Annual limit (£)	Weekly support (£)	Annual limit (£)
Couple	384.62	20 000	442.31	23 000
Single parent and children	384.62	20 000	442.31	23 000
Single adult	257.69	13 400	296.35	15 410

*Source: Authors, based on Government UK data (2019b)*

Table No 5 presents the maximum annual amounts that can be claimed via all the benefits available. The basic breakdown is via both household composition and place of residence, i.e. in Greater London and the rest of the country.

The biggest difference in terms of access to the living minimum between the Czech Republic and Great Britain lies in the commitment of the fiscal authority. The amount of the living minimum in the UK is increased on a regular basis. Thus, the needs of the weakest groups in society are taken into account.

## V. Comparison of the settings of the living minimum in the selected countries

As outlined in the introduction to the article, the living minimum benefit should cover at least basic human physiological needs, i.e. food, clothing and, possibly, housing (if not addressed by other targeted benefits). Moreover, the amount of the benefit should be revised regularly so as to ensure that it corresponds to constantly evolving living minimum<sup>16</sup> requirements (Saunders, Bedford, 2018; O'Connor, 2018) related to the development of prices. However, the most recent revision of the living minimum in the Czech Republic was in 2012.<sup>17</sup>

<sup>15</sup> As in the Czech Republic, this refers to seriously physically or mentally handicapped persons.

<sup>16</sup> Achievement a 'good society' is not static, therefore living minimum should not be static.



**Table 6: Price level index (EU-28=100, 2018)**

	Czech Republic	Germany	France	United Kingdom
Price level index (EU-28=100)	71	104	110	117
Food and non-alcoholic beverages	84	102	115	94
Clothing and footwear	100	99	110	93
Housing, water, electricity, gas and other fuels	63	111	113	157

*Note: If the price level index is above 100, prices in the country concerned are higher than the EU average, while if the price level index is below 100, prices in the country concerned are lower than the EU average.*

*Source: Authors, based on Eurostat data (2019c)*

The price level index information clearly provides a comparison of countries' price levels relative to the EU average (table No 6). In general, prices in the Czech Republic are lower than the EU-28 average. The highest price index in the EU in 2018 was observed for Denmark (+38% of the EU average) and the lowest for Bulgaria (-49% of the EU average). However, a breakdown of the price index information, i.e. a comparison of the individual consumption items, shows significant differences between the consumption groups (values of between 63 and 100 for the Czech Republic) as well as between individual countries (housing values of 63 to 157). These differences that may be one of the first impulses for the revision amounts of the living minimum benefits so that they can fulfil their function.

**Table 7: Average household consumption**

	Food and non-alcoholic beverages		Clothing and footwear		Housing, water, electricity, gas and other fuels	
	%	rank	%	rank	%	rank
Czech Republic	21.10	7	5.30	8	22.30	25
Germany	11.50	25	4.70	16	33.00	8
France*	15.80	14	4.00	24	26.80	20
United Kingdom	12.10	20	5.00	12	18.80	26
EU28	16.00	-	4.70	-	28.60	-

*Note: In descending order according to the rate of consumption of a given consumption group, i.e. the higher the ranking, the higher the share of the given consumption group of the total consumption of an average household in the given country compared to the EU-28 average.*

*Source: Authors, based on Eurostat data (2019d)*

Low incomes combined with high prices for essential goods lead to the displacement of the consumption of services (such as education and health) which, over the long term, may worsen the position of those persons and families most affected. Table No 7 shows that, with the exception of the United Kingdom, spending on the 3 most important physiological groups (food, clothing and housing) accounts for around a half of total expenditure in the countries under review, thus corresponding to the EU-28 average of 49.3%. The highest values refer to Romania (70.1%) and lowest to the UK (35.9%). While the value of expenditure on clothing in the EU is relatively balanced, the remaining two groups reveal significant variations, e.g. food from 8.7% (Luxembourg) to 30.2% (Romania) and housing from 8.4% (Malta) to 37.0% (Hungary).

The values of social benefits should reflect both the overall price level (as well as the price levels of particularly important commodities, see Table No 6) and the afore-mentioned share of total consumption. For example, the high price level of housing in the UK does not necessarily mean a high share of housing expenditure, i.e. housing benefits, municipal housing, etc. may

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be available. When we look at the Czech Republic, we can see that more than a one-fifth of consumption is for food (a necessary good). Another more than one-fifth of the consumption is for housing (again essential commodity). However, the legislative definition of the living minimum contains, in addition to these three consumption groups, another 7 groups<sup>18</sup>.

**Table 8: Living minimum compared to the minimum wage, average wage and median wage (2018, €)**

	Czech Republic		Germany		France		United Kingdom	
Living minimum*	132.96	-	416.00	-	545.48	-	354.11	-
Minimum wage	475.69	3.6*LM	1 498.00	3.6*LM	1 498.47	2.7*LM	1 469.41	4.1*LM
Average gross earnings*	1 245.45	9.4*LM	4 212.17	10.1*LM	3 286.32	6.0*LM	3 704.45	10.5*LM
Average net earnings*	938.82	7.1*LM	2 539.50	6.1*LM	2 342.48	4.3*LM	2 837.48	8.0*LM

Note: LM = living minimum; Exchange rates (2018) - Czech Republic 1€ = CZK 25.647; United Kingdom 1€ = £0.88471 (Eurostat, 2019e)

\* Data is provided for a person living in a single household without children; income is 100% of the average wage.

Source: Authors, based on Ministry of Labour and Social Affairs data (2013), European Commission data (2019a,b), Government UK data (2019a) and Eurostat data (2019f,g)

In addition to satisfying the purchasing demands of the target population, it is also important to consider the motivational role of the living minimum benefit, i.e. while the living minimum acts as a safety net on the one hand, it should also motivate individuals not to depend exclusively on social benefits<sup>19</sup>. Table No 8 provides a comparison of the nominal values of the living minimum social benefit with the minimum wage and the average gross/net wage in Euro. The highest living minimum benefit is provided in France, i.e. the smallest difference between the minimum wage and the living minimum (but still, the minimum wage is 2.7 times higher than the living minimum benefit). The minimum wage is very similar in the UK, France, Germany, the amount of the living minimum benefit is determined by political philosophy (concept of the living minimum). Conversely, the lowest level of support is provided in the Czech Republic, where the state-guaranteed living minimum stands at just over €130. In selected countries, the social benefits are 3-4 times higher than in the Czech Republic. The current level of the living minimum benefit does not and cannot meet the demands that policy makers place on it.

The table No 8 also reveals the effect of a further important element in the public finance system, i.e. average income deductions, concerning which the biggest difference refers to Germany where gross earnings are 10 times, and net earnings just 6 times the living minimum. In the Czech Republic, the difference is approximately half that of Germany, gross earnings are 9.4 times, and net earnings 7.1 times the living minimum. Again, the system of taxation must be set up motivationally, work must be paid. It is also necessary to realize that the income from taxation is used to cover public goods and services, including the living minimum benefits. The tax mix and its subsequent redistribution is again a political issue (based on economic analysis).

## VI. Conclusion

Those who have been exposed to difficult life situations over the long term (for example due to low or no income) often slip into material deprivation and experience social frustration. Consequently, the occurrence of a series of socio-pathological phenomena may follow, which

<sup>18</sup> 10 groups of COICOP (without Alcoholic beverages and tobacco).

<sup>19</sup> Except in the case of persons with specific medical conditions.

often results in the committing of criminal activities by such individuals and households. It may also result in other negative phenomena, such as the desire to escape from reality whether through drug abuse, gambling, etc. In fact, the removal of these causes is more costly than their prevention. The main problem lies in the fact that those exposed to long-term psychological stress and physical deficiencies do not behave rationally from the general point of view but tend to behave in a destructive manner especially within their immediate surroundings. Most individuals are unable to cope with such oppressive social situations without outside assistance. Hence, the importance assigned in developed European countries to the anchoring of state aid for those who find themselves in difficult life situations, which can affect anyone.

The living minimum instrument in the Czech Republic represents short-term assistance directed from the state to the citizen (household). It is not reasonable to assume that households are able to survive on this level of income over the long term. Unfortunately, at-risk groups remain on the living minimum benefit in the long term; consequently, the individual and society in general are negatively affected (the risk of debt repossession proceedings). In contrast, Germany, Great Britain and France have introduced living minimum systems that are both motivational and client-based and that focus on returning the maximum number of claimants to the labour market as soon as possible. Should this not be possible, the living minimum ensures not only the survival of, but also the maintaining of a socially-defined standard for the individual or family (social benefits are higher and assume the potential need for long-term assistance). Despite the lower homogeneity of the society than the Czech Republic, i.e. potentially higher burden on social systems, the selected countries succeed in ensuring that the living minimum system fulfils its function. The living minimum benefits are 3-4 times higher than in the Czech Republic.

Therefore, both the targeted financial benefit and the overall degree of connection to other public systems (the health and education systems, etc.) are important in terms of the living minimum concept. It is also important to change the attitudes held by society as a whole. The appropriate setting of the motivational and client-oriented elements of the system (see the Hartz reform) results in a reduction in the stigmatisation of individuals. Thus, it is recommended that, following the example of the countries used in the comparison, attention be devoted to the role of the Labour Office. While increasing the numbers and improving the qualifications of social workers are reflected over the short term in an increase in public spending, in the long term it helps to change the attitudes of society and leads to public spending savings (it costs society significantly more to treat the pathological phenomena associated with poverty). A further important factor concerns the general level and quality of the public administration system, the efficient functioning of which results in improved economic performance and thus a higher level of overall population satisfaction.

An equally important element in terms of the setting of the living minimum consists of its connection to the overall development of the country, i.e. the development of the economy and price levels, the relationship to the minimum and average wages and shifts in the consumption habits of society. Standards of living have changed in many qualitative dimensions, also because of that the living minimum would also have changed. The regular revision of the amount of the living minimum, as in the UK, France and Germany, provides a signal of the degree of political responsibility surrounding this instrument. Importantly, the political leadership of the Czech Republic is becoming increasingly aware of the importance of this issue and, for the first time since 2011, has recently begun to express an interest in the detailed analysis and the potential introduction of revisions in this area.

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