

GUARANTEED MINIMUM INCOME – FORM OF SOCIAL ASSISTANCE FOR POOR FAMILIES IN ROMANIA¹

ADINA MIHĂILESCU

Guaranteed minimum income (GMI) is a form of social assistance and ensures by providing monthly financial assistance. GMI has been the subject of profound reformation by eliminating errors over inclusion and efficient expenditure by rechecking eligibility allocation by beneficiary participation in the labor market and various community works. Amid objective efficient social spending and increased transparency in 2010 was the proposed elimination of GMI, along with other family benefits and the concept of minimum income of insertion, which was to strengthen and simplify helping low-income families. Minimum income of insertion proposed in 2011 is being implemented this year, 2014. In this article we analyze the dynamics of consumption and income of the families with children in high risk of poverty or even in chronic poverty, receiving minimum income compared to decent subsistence and the subsistence minimum calculated at the Research Institute for Quality of Life normative method, on types of families and area of residence.

Keywords: guaranteed minimum income, minimum decent standard, minimum of subsistence, low income.

INTRODUCTION AND A BRIEF HISTORY OF THE GMI

Guaranteed minimum income allowance is highly targeted, identifying those at risk of poverty and social exclusion, based on income, household possessions and land owned and is granted provided that the beneficiary to performs work community to discourage inactivity. Increased income population had a direct impact on poverty reduction and in particular extreme poverty, as shown by decreased risk of poverty rates and the gradual reduction in the number of beneficiaries of minimum income.

At Romanian level, the guaranteed minimum income consisting in a form of social assistance ensured by providing monthly financial assistance to GMI

Adresa de contact a autorului: Adina Mihăilescu, Institutul de Cercetare a Calității Vieții al Academiei Române, Calea 13 Septembrie, nr. 13, sector 5, 050711, București, România, e-mail: adina.mihailescu@yahoo.com.

¹ Paper presented at the International Conference Economic Scientific Research – Theoretical, Empirical and Practical Approaches ESPERA 2014, INCE, Romanian Academy.

beneficiaries. The amount of the social assistance is calculated as the difference between the GMI value stipulated by law and the monthly net income of the respective family or individual (GMI beneficiary). The financial assistance (GMI value) is awarded based on the evaluation of the family or the individual different sources of income (Law no. 416/2001, Article 8).

When first implemented into Romania, this form of social assistance was considered 'social aid' (name still retained into common language), being explicitly formulated around the idea of minimal consumption and had as beneficiaries mainly unemployed persons/families above the legal working age, with children in care. At the time of its design (Law no. 67/1995), the "guaranteed minimum income" was intended to meet the consumption needs of the Romania's poorest (10%), identified by consumption expenditure per household (Teșliuc and Pop, 2001).

The year 2001 brought the first major reform for the Romanian Social Protection System (**Law no. 416/2001**) towards combating exclusion and promoting social inclusion. For example, in order to facilitate a better social inclusion of GMI beneficiaries on the labour market, a new regulation was introduced conditioning applicants able to work to a 72 hours community service. Theoretically, the 72 hours community service measure is meant to give the individual the possibility of integration into the community and to provide the local authorities with the possibility to "identify local resources" for development. The achievement of these objectives largely depend on involving the GMI beneficiaries in activities recognized as necessary in the community, on keeping a minimal correlation between the qualifications level of the beneficiaries and the activities they were involved in and, not least, on the stigma associated with some of these activities. Most of those activities were related rather to maintaining cleanliness in the village (roads, parks, etc.) than to renovating schools, dispensaries and other public institutions and – much less – to other types of work like updating records of local institutions.

A stage of a larger reform that began in 2010 (**Law no. 276/2011** amending Law no. 416/2001 concerning the GMI). These legislative changes introduced the system-approach for the first time, by reporting a set of social benefits in accordance with **Social Reference Index (RSI)**. The index is a threshold established by law, allowing calculation of various social benefits as a percentage of SRI, such as: minimum income standard (MIS) allowance, unemployment benefits, as well as other forms actively supporting the employment growth (subsidies for employment of vulnerable groups), (Statistical Report MMFSPV, 2013: 10).

Eligibility for access to GMI depends on the type and number of properties taken into account, as well as their financial equivalence, strongly influenced by their geographical location (since 2001 this issue was formally taken into consideration). During the process of revalidation of GMI eligibility, a first step consisted in reconsidering all different types of goods/properties and setting up a new scaling system for the evaluation of GMI eligibility. The value of the MIS allowance per

person during the first years of the financial crisis in Romania, was set around the level of 20% of the minimum wage, respectively 25% of the Social Reference Index (SRI). In the context of aiming for social spending efficiency and increased transparency in 2010, the elimination of MIS, along with other family benefits was proposed in order to introduce the concept of minimum insertion income (MII), aimed to strengthen and simplify the social assistance of low-income families (Statistical Report MMFSPV, 2013). The MII proposed in 2011, is planned to be fully implemented during 2014.

For GMI beneficiaries, another important source of income consists in the children allowance. In the past, conditioning the access to children allowance payment by attending the school has had positive effects in combating school non-attendance (pre-authorization of the payment by the school). The new law on MIS changes the situation regarding school attendance of children from vulnerable families, as well as deducting the children allowance out of the amount of MIS. Poor families are no longer motivated to send their children to school, because cutting off the allowance following school non-attendance would generate an increase of the minimum income amount allocated to the respective household. Therefore a next step consists in reincorporating the condition of MIS's allocation in accordance to children's participation in school activities; otherwise, school-age children who do not attend the school are excluded from the calculation of GMI. "Leaving early education system leads to the formation of negative feeling about it. ... A positive perception of education leads to favorable action about education, school inclusion strategies, families plans on medium and long term" (Neagu, 2012: 227).

In the first year of operation, necessary funds were covered by the State Budget, and later they were transferred to local budgets. A reduced flexibility to identify local resources made the number of approved applications in the first half of the second year to be reduced to about a quarter, at the end of the same year. The deepening of poverty in the late '90s led to the acknowledgement that the regions with the highest poverty rates are those with the greatest financial difficulties so the expenses with social aid were transferred to the State Budget.

Schemes are general, attributed both families and single persons or adults caring for children and are differentiated by the number of people who have family. Grant schemes consist VMG's financial benefits and services that include social support; health insurance without having to pay any contribution to the health insurance budget which is provided by MMFSPV budget. In fact the minimum package of health services pregnant women, confined women and children are insured independently of one parent's contribution to the budget of the health insurance: compulsory home insurance, provided by MMFSPV budget; emergency aid to support families in need due to natural disasters, fires and accidents,

and other special situations due to health or other causes that can lead to social exclusion (provided by the state budget and local budgets); aid to cover some of the funeral expenses paid by local authorities (Teşliuc, M.; Pop, L., 2001). Also MIG beneficiaries are eligible for: help for heating granted within a preset threshold and differentiated according to the type of fuel: aid in kind and social services.

It is essential that GMI beneficiaries (family/individual) do not hold other assets than those considered as basic necessities. The list of basic necessities comprises, among others: a stove, a refrigerator, a washing machine, a vacuum cleaner, a TV set, a landline or mobile phone, a computer. Moreover, the land on which the residence is set must not exceed 1,000 square meters in urban areas and 2,000 square meters in rural areas.

Persons of working age without any wage or other incomes and seeking social support have the following obligations (conditionality for receiving GMI): to regularly prove (at least once in 3 months) with a certificate issued by the Employment Territorial Agency that: they are registered as seeking employment, they did not refuse a job, did not refuse to participate in boost employment services, in training services or in attending a training program; to monthly provide, at the request of the mayor (local administration), actions or works of local interest; to have paid to the local budget all legal obligations/taxes for the previous fiscal year in accordance with the goods they owned.

Starting with **1st of January, 2014**, the monthly amount of the guaranteed minimum income increased as following: $0.283 \times \text{RSI}$ for individuals = 142 RON; $0.510 \times \text{RSI}$ for 2 – person families = 255 RON; $0.714 \times \text{RSI}$ for 3 – person families = 357 RON; $0.884 \times \text{RSI}$ for 4 – person families = 442 RON; $1.054 \times \text{RSI}$ for 5 – person families = 527 RON; $0.073 \times \text{RSI}$ for each supplementary person over 5 persons in the family.

Regarding the heating aid case, it is allocated only for the cold season (November 1st to March 31st of each year). Families are entitled to emergency social allocated based on social surveys of representatives of the City Hall social office². From January 1, 2011, persons receiving the minimum wage and health insurance benefits, according to Law no. 276/2010 amending and supplementing Law no. 416/2001 guaranteed minimum income.

² Welfare recipients who find themselves in such situations are: families/single persons in a situation of need, due to natural disasters, fire or accidents; emergency aid for partial compensation of damages, based on their income level; permanent damage to the family/single person dwelling, due to other causes than fire and natural disasters; urgent help needed for the urgent repair of the dwelling; cases of necessity due to health problems of the persons requiring specialized investigation, surgery or the purchase of medicines; homeless families/single persons or those who cannot receive social housing, do not meet the conditions for being admitted in care institutions, and have not the necessary income for the payment of rent; emergency grants for paying the rent, fully or partially, for people without jobs or in a state of social dependence.

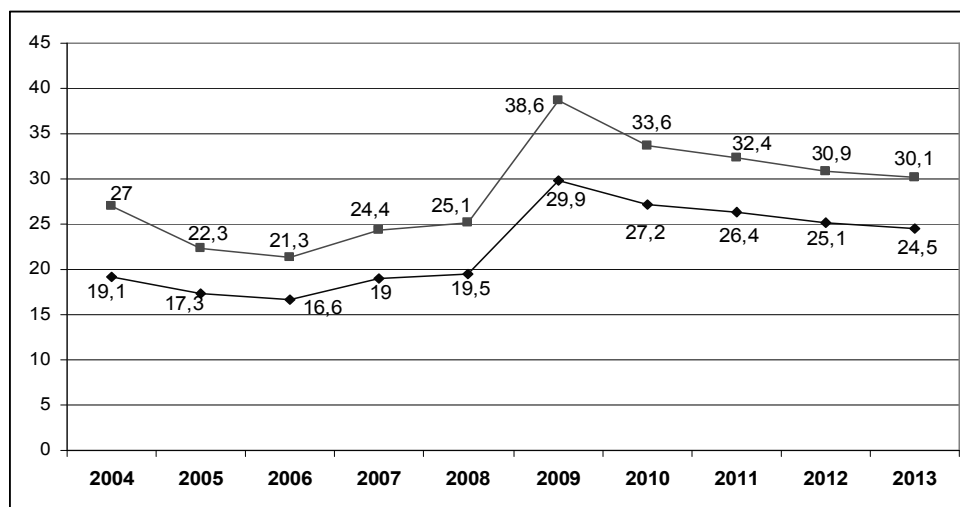
CONTRIBUTION OF GUARANTEED MINIMUM INCOME FOR NEEDS OF POOR FAMILIES

We shall analyze the consumption and income dynamics for different types of families with children at high risk of poverty or chronic poverty, in comparison with the decent living minimum (DLM) and the subsistence minimum (MS), which are calculated periodically by normative methods at the Research Institute for Quality of Life (RIQL).

1. The single-parent family (one adult earner) with 2 children living in urban areas represents one of the most encountered MIS beneficiaries' profiles. The guaranteed minimum income allocated by the state authorities for a 3-persons family (adult with two children), plus the allowances for two children does not cover more than a third of the subsistence minimum, calculated by the RIQL normative method, reaching the peak in 2009 (about 39% of SM) (*Chart 1*) (Mihăilescu, 2014).

Chart 1

Dynamics of the relation between GMI allocated to three persons (two children allowances) and the decent living minimum (DLM) and the subsistence minimum (SM) for a 3 person family in urban area, between October 2004 and October 2013

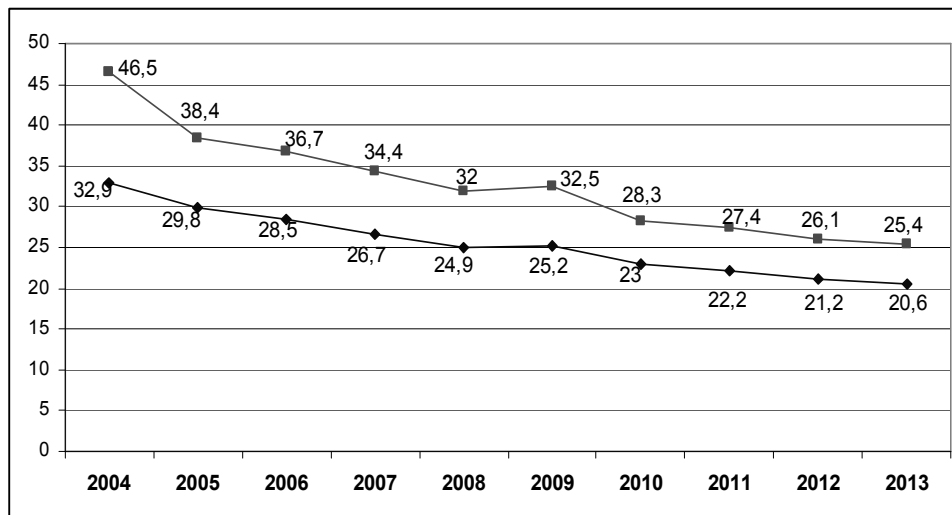


Legend: —◆— GMI 3 persons + 2 children allowance/DLM 3 persons; —■— GMI 3 persons + 2 children allowance/SM 3 persons.

2. The family with four persons 2 parents and 2 children. In 2004, almost half of the subsistence minimum was covered; then, it began to decline each year until the end of the analysed interval, in 2013, when it was covering only a quarter of subsistence minimum and one fifth of the decent minimum (*Chart 2*) (Mihăilescu, 2014).

Chart 2

Dynamics of the relation between MGI allocated to four persons (plus two children allowances) and the decent living minimum (DLM) and the subsistence minimum (SM) for a four person family, in urban area, between October 2004 and October 2013



Legend: —◆— GMI 4 persons + 2 children allowance/DLM 4 persons; —■— GMI 4 persons + 2 children allowance/SM 4 persons.

3. The family with four persons 2 parents with 2 children in rural area with an income consisting of a guaranteed minimum income and allowances granted to their children was covering about a fifth of the subsistence minimum in 2005 and 2006, the situation became slightly better in 2010–2013, in 2010 (nearly 30% of SM) (Chart 3) (Mihăilescu, 2014).

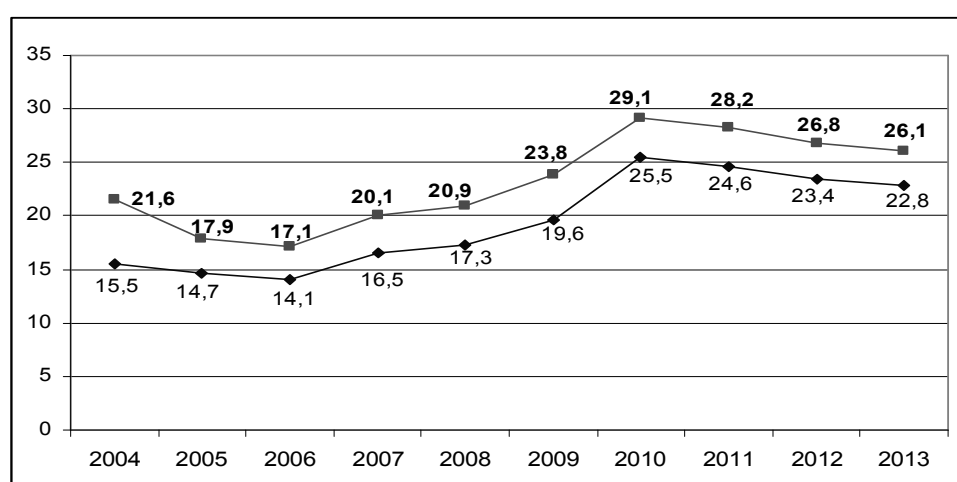
Many of the guaranteed minimum income recipients are unskilled workers that have not completed the compulsory educational system. The degree of compulsory educational system graduates decreased since 1989, affecting a significant part of the younger generation. Increased investment in vocational training represents an important alternative to welfare recipients. Focusing on training can significantly increase self-activation resources of individuals and, at the same time, compensates the lack of employment alternatives.

According to the principle “no rights without responsibilities”, the work for community generalizes a set of best practices at local level. Increasing the guaranteed minimum income value with 15% when a family member gets a legal job can hardly stimulate employment, considering that a minimum wage family budget cancels the eligibility for social assistance benefits (such as GMI). On the other hand, taking into account that the value of GMI is quite low, the 15% increase could be considered more of a bonus. Moreover, because of the different benefits almost automatically accompanying the GMI, the incentive for beneficiaries who have a minimum

qualification or without a qualification, for entering the labour market is almost negative. The disincentive factors related to entering the labour market by getting low paid jobs generates the premises for long-term unemployment and social exclusion. Therefore, work for serving the community can be a way to encourage activation, although, so far, the prospects offered for legal employment are low.

Chart 3

Dynamics relationship between GMI for four persons and two children allowances to the minimum decent living and subsistence minimum for a family of four people in the rural area, from October 2004 to 2013



Legend: —◆— GMI 4 persons + 2 children allowance/DLM 4 persons; —■— GMI 4 persons + 2 children allowance/SM 4 persons.

The GMI success as a way to promote social inclusion depends not only on being understood as such by beneficiaries, but also by the community. In some areas (especially rural ones), the local authorities have found that the work done by the beneficiaries did not respond to a real need of the community, as those activities (almost exclusively cleaning), “would have been done anyway”. In urban areas, however, this kind of work was rated as a useful initiative. On the other hand, the GMI beneficiaries who have accepted to work for the community understood it rather as an obligation to the state in exchange for financial support, associated in a similar manner to the rights and obligations of a job and not as a way to be part of the community, meaning that it does not eliminate the “exclusion feeling” given by the prolonged lack of a formal job.

Other features of the reform consisted in: the regulation of the “Guaranteed Minimum Income” concept for the national implementation of MIS, imposing a list of criteria for assessing the income and breaking-down the thresholds by criteria, and especially guaranteeing health insurance for beneficiaries and its correlation with heating aid.

CONCLUSIONS

The implementation of MIG in many situations and in some European countries, including Romania, is difficult to be effectively managed internally, due to the national budgets' limitations. With a quarter of the EU population being at poverty risk it becomes imperative to implement a European MIS as a tool for combating poverty and social exclusion. In the world "people are starving not because of lack of food ... but because some are too poor to afford to feed normally ... if isn't taken some socio-economic policy ... people who are chronically suffering from hunger will not disappear" (Stanciu, 2009: 289). According to Eurostat indicators (<http://www.sabincutas.ro/2014/01/avem-need-of-a-come-get-guaranteed-to-level-european/>), 124.5 million people – 24.8% of the population of the 28 EU member states – were at poverty or social exclusion risk in 2012. Given the economic crisis and the austerity policies context, these figures continue to grow year by year. The highest rates are recorded in Bulgaria (49.3%), Romania (41.7%) and Latvia (36.2%). As inequality continues to deepen, creating gaps not only between Member States but also between regions of the same country, the question of granting the minimum income from European funds gets intense at EU level.

Among the measures to prevent poverty and social exclusion, since October 2010 the European Parliament adopted a resolution on the minimum income role in combating poverty and urged the Commission to formulate such a proposal. In December 10, 2013 the European Economic and Social Committee also adopted an opinion highlighting the urgent need to guarantee an adequate minimum income in the European Union. In the context in which the Charter of Fundamental Rights of the European Union guarantees the observance and protection of human dignity (Article 1), it is possible for the EU to consider funding a European MIS, including the establishment of a European fund in this respect. A special place in removing marginalization is occupied by those programs that lead to community development based on local partnerships, including organic links with local or national NGOs, with civil society in general.

The advantages created by individualizing solutions to social problems require a differentiated approach them as they appear in each community. It creates some new patterns of social policies, and a new field of social research, it is about community development.

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Venitul minim garantat (VMG) reprezintă o formă de asistență socială și se asigură prin acordarea unui ajutor financiar lunar. VMG a fost subiectul unei profunde reformări prin eliminarea erorilor de supra incluziune și eficientizarea cheltuielilor, prin reverificarea eligibilității alocării, prin participarea beneficiarilor pe piața muncii și la diverse munci comunitare. Pe fondul obiectivului eficientizării cheltuielilor sociale și al creșterii transparenței, în 2010 a fost propusă eliminarea VMG, alături de alte beneficii familiale și introducerea conceptului de venit minim de inserție VMI, care urma să consolideze și să simplifice ajutorul dat familiilor cu venituri reduse. VMI propus în anul 2011 este în curs de implementare abia de anul acesta 2014.

În articolul acesta se prezintă dinamica consumului și veniturilor familiilor cu copii aflate în risc crescut de sărăcie sau chiar în sărăcie cronică, beneficiare de venit minim garantat, comparativ cu minimul de trai decent și minimul de subzistență calculate în cadrul Institutului de Cercetare a Calității Vieții, prin metoda normativă, pe tipuri de familii și medii de rezidență.

Cuvinte-cheie: venit minim garantat, minimul decent de trai, minimul de subzistență, sărăcie.

Primit: 14.11.2014

Redactor: Ioan Mărginean

Acceptat: 12.12.2014