

# The guaranteed minimum income, an indicator of social protection for needy families: 1994–2022

## Abstract

This form of support was called social assistance. It was explicitly built around the idea of minimum consumption and had as beneficiaries, especially people / families of working age, without a job, with children in maintenance. One year later, Law 67/1995 proposed the concept of guaranteed minimum income (GMI), designed to cover the consumption needs of the poorest (10%) of Romanians, identified by consumption expenditure per household, approximately 6% of Romanian households. The guaranteed minimum income is a very well-targeted allowance, which identifies people at risk of poverty and social exclusion, being based on testing means, depending on income, household possessions and land owned, and is granted on condition that the beneficiary works in for the benefit of the community, to discourage inactivity. Starting with January 2011, the necessary funds are provided from the state budget through the budget of the Ministry of Labor, Family and Social Protection and consist of financial benefits and services that include: the guaranteed minimum income; health insurance, without the obligation to pay the contribution to the health insurance budget.

**Keywords:** needy family, poverty, risk, social protection, minimum consumption

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## Introduction

### Guaranteed minimum income (GMI): 1994-2022

At its first implementation, in 1994, this form of support was called social assistance it was explicitly built around the idea of minimum consumption and had as beneficiaries, especially people / families of working age, without a job, with children in maintenance. One year later, Law 67/1995 proposed the concept of guaranteed minimum income (GMI), designed to cover the consumption needs of the poorest (10%) of Romanians, identified by consumption expenditure per household, approximately 6% of Romanian households. The guaranteed minimum income is a very well-targeted allowance, which identifies people at risk of poverty and social exclusion, being based on testing means, depending on income, household possessions and land owned, and is granted on condition that the beneficiary works in for the benefit of the community, to discourage inactivity.

### Methodology for applying the guaranteed minimum income

The year 2001 brought the first major reform of the system (L416 / 2001), in the context of the orientation of European social policies, through which Romania aimed to promote social inclusion, and the beneficiaries of guaranteed minimum income were involved in activities recognized as necessary in the community. The activities carried out were related to maintaining cleanliness in the locality (roads, parks, etc.), less, to the renovation of educational institutions, dispensaries and other public institutions and - to a much lesser extent - to other types of work (updating the records of local institutions).

Against the background of the economic crisis, felt in Romania after 2008, the austerity policy explicitly targeted the public sector and the social protection system. The amount of GMI for a person at the beginning of the crisis was around the level of 20% of the minimum wage, respectively 25% of the SRI (Social Reference Indicator). SRI currently has a value of 500 lei. In order to make social spending more efficient, in 2010 it was proposed to eliminate GMI, along with other family benefits, and to introduce the concept of minimum insertion

income (MII), which would consolidate and simplify the aid given to low-income families.<sup>1</sup>

Starting with January 2011, the necessary funds are provided from the state budget through the budget of the Ministry of Labor, Family and Social Protection and consist of financial benefits and services that include: the guaranteed minimum income; health insurance, without the obligation to pay the contribution to the health insurance budget. In the minimum package of medical services, pregnant women, spouses and children are insured independently of the contribution of one of the parents to the health insurance budget by: compulsory housing insurance from the MMFPS budget; emergency aid, to support families in need due to natural disasters, fires and accidents, as well as other special situations due to health or other causes that may lead to social exclusion (granted from the state budget and local budgets ); aid to cover part of the funeral expenses granted by local public authorities.<sup>1</sup>

In the following [Table 1](#) we followed the evolution of the minimum guaranteed income from 1994 to the present 2022, January. This minimum income granted to “the poorest of the poor” has increased in value since 2020. Throughout the period 1994-2020, the most difficult year was 2000, when a quarter of the goods could be bought and market services compared to the beginning of 1994.<sup>2-7</sup>

### Directions for reform under the impact of the crisis

In Romania, GMI proposed in 2011, being implemented since 2014. Also, conditioning the payment of the child allowance by school attendance had positive effects in combating school non-participation, given that for the vast majority of poor families (especially with many children) the child allowance is the main source of income for the household. The new law on guaranteed minimum income changes the situation, we believe against the school participation of children from vulnerable families, with the deduction of the child allowance from the amount of guaranteed minimum income. Poor families will no longer be so motivated to send their children to school, because the lack of allowance due to non-participation in school would lead to an increase in the amount of minimum income allocated to the household. That is

why it may be necessary to condition the allocation of VMG by local authorities on school participation, otherwise school-age children who do not go to school are excluded from the calculation of VMG.<sup>8–12</sup>

In Romania, the social policy measures, oriented towards the population groups with dependent children and which are vulnerable (at risk of falling into poverty or even in real poverty) were little noticeable. The distribution and redistribution of insufficient funds to disadvantaged social groups, which are in a process of worrying expansion, can only offer temporary solutions not to change the situation, in a positive sense.

From the studies carried out in the Quality of Life Research Institute on living conditions in Romania, the most delicate position is held by families with dependent children and especially those with more than two children and single-parent families with two children, all the more so those with even more children. Each additional child, in the care of a family, through his own needs can aggravate the general situation of the family. To the general income of the family, the children contribute with a small amount, the child allowance. We are not surprised that these families are finding it increasingly difficult, with the addition of the second or third, and so on child. For children, some social policy measures have been adopted, starting in 1993, for all children up to the age of 16 (respectively 18 years), regardless of socio-professional status and the volume of income of supporters. School-age children could benefit from this allowance if they attended a school. The granting, starting from the last quarter of 1997, of the additional allowance for the second to the fourth child, as well as the size of this allowance could be differentiated, according to the rank of the children. The generalization of the allowance represented the solution of eliminating discrimination, a principle provided both in the documents of international bodies and in the Constitution of our country.<sup>13–15</sup>

The conclusions of various sociological surveys conducted by RIQL groups show that, in many cases, the main reason for dropping out of school children of needy families is the lack of material possibilities and mainly income. For these families, especially if the parents have a low level of education, receiving the state allowance, as long as it was and is this, is not an incentive to give or support the children in school. Based on the social benchmark (SRI) it is calculated, among others:

- 1) unemployment benefit
- 2) guaranteed minimum income
- 3) help for people with disabilities
- 4) family support allowance
- 5) childcare allowance
- 6) insertion premium for hiring graduates
- 7) the state subsidy for employers who receive the unemployed
- 8) aid for employers who employ young people at risk of social marginalization
- 9) support for raising a child, for people with disabilities
- 10) food allowance for people with HIV-AIDS disabilities

## Conclusions

The problem of granting the guaranteed minimum income in many situations and in some European countries, including Romania, is difficult to solve domestically, where state budgets are limited. Given

that a quarter of the EU's population is at risk of falling into poverty, it is imperative to provide a minimum income at European level as a tool in the fight against poverty and social exclusion. According to Eurostat indicators (<http://www.sabincutas.ro/2014/01/avem-nevoie-de-un-venit-minim-garantat-la-nivel-european/>), in 2012, 124.5 million people - 24.8% of the population of the 28 EU Member States were at risk of poverty or social exclusion. In the context of the economic crisis and austerity policies, these figures continue to rise from one year to the next. The highest rates are recorded in Bulgaria (49.3%), Romania (41.7%) and Latvia (36.2%). As social inequality continues to deepen, creating gaps not only between Member States but also between regions of the same state, the issue of providing a minimum income from a European fund becomes pressing for the European Executive.<sup>16–18</sup>

Among the measures to prevent poverty and social exclusion, since October 2010, the European Parliament has adopted a resolution on the role of minimum income in the fight against poverty and called on the European Commission to formulate such a proposal. The European Economic and Social Committee also adopted an opinion on 10 December 2013, highlighting the urgent need to ensure an adequate minimum income in the European Union. In the context in which the Charter of Fundamental Rights of the European Union guarantees respect for and protection of human dignity (Article 1), it is possible for the European Executive to examine the possibility of financing a minimum income, including by creating a European fund for this purpose.

The Romanian Government has discussed this issue with the International Monetary Fund. Prime Minister Victor Ponta announced: "The government will increase the amount of social aid, starting with July 1, 2013, to compensate for the increase in energy prices." It was specified that the amount of the guaranteed minimum income will increase by an average of 13%, in two tranches, and the family support allowance will be increased by an average of 30%. On average, the guaranteed minimum income was increased by 8.5% in July 2013 and by 4.5% in January 2014. The budgetary effort to apply these increases, starting with the second half of 2013, was about 200 million lei.<sup>19,20</sup>

At the beginning of 2014, the Ministry of Labor and Family put into public debate a draft emergency ordinance proposing the regulation of special measures for beneficiaries of social assistance and family support allowance to cover additional costs caused by the elimination of the social tariff for electricity and rising electricity and gas prices. According to estimates made by World Bank experts based on existing data from the National Energy Regulatory Authority and those provided by the National Institute of Statistics, the increase in electricity costs for vulnerable categories is between 14 lei and 20 lei, of which an average increase of 3 lei in the price of natural gas is added. These benefits, if granted, will be differentiated according to the income of the family or single person as follows:

- 1) 23 lei for the beneficiaries of the social aid and of the allowance for supporting the family who have incomes / family member of up to 200 lei;
- 2) 18 lei for the beneficiaries of the family support allowance who have incomes / family member between 201 and 370 lei. (Source: <http://www.mediafax.ro/social/venitul-minim-garantat-crestecu-8-5-din-iulie-si-cu-4-5-din-2014-10868600>).

The system of increasing social assistance or family support allowances is absolutely necessary when the families or single persons benefiting from these aids face the depreciation of their income in

relation to the market prices. It is necessary that at certain intervals social aid be correlated with the price index for food, non-food goods and services.

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## Conflicts of interest

There are no conflicting interests declared by the authors.

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