



# ESPN Thematic Report on minimum income schemes

## Liechtenstein

2015

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*October 2015*



**EUROPEAN COMMISSION**

Directorate-General for Employment, Social Affairs and Inclusion  
Directorate C - Social Affairs  
Unit C.2 – Modernisation of social protection systems

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**European Social Policy Network (ESPN)**

**ESPN Thematic Report on  
minimum income schemes**

**Liechtenstein**

**2015**

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The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

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## Summary

In Liechtenstein the MI scheme is legally defined as a minimum income to guarantee a living in the economic environment of Liechtenstein. A person is eligible for social welfare benefit if he/she is resident in Liechtenstein and is experiencing personal distress or is unable to earn his/her own living or provide for his/her family. This means that if the total income of a household is below the minimum income defined by law, the right to receive social benefits is triggered. Thus insurance benefits, e.g. unemployment insurance benefits, are the first step in the social system. Whenever they are exhausted or insufficient, the MI benefits come into play.

The Liechtenstein MI scheme uses standard rates according to the Law on Social Assistance (Sozialhilfegesetz, LGBl. 1987 no. 18)<sup>1</sup>. These standard rates or subsistence levels for social welfare benefit are calculated as a minimum income level and basically guided by the average wages in the economy and by the Consumer Price Index.

The MI benefits vary with the number of people in the household who have to live on the benefit. On the other hand, some means testing is done, so that the income or assets of persons living in the same household are taken into account. Thus, the effective household income is not limited to the applicant's own income. It includes benefits from unemployment insurance, pensions and - where applicable - other social benefits and employment income received by spouses, adult children etc., living in the same household.

Social welfare benefits are financed through taxation at state level. There is no general time limit or maximum duration of the aid measure in place. The Ministry for Social Affairs is responsible for the country's social welfare system. As Liechtenstein is a very small country, the administration offices which have to deal with unemployment benefits and social assistance are well networked. The coordination between these two service providers is not formally organised as a one-stop shop approach, but interaction in the area of employment and training programs exists and works.

Persons receiving social welfare benefit are obliged to use their best efforts to earn their own living. Insufficient efforts to find and keep a job, the refusal to participate in a work project or the nonfulfillment / disregard of instructions by the person receiving social welfare benefit can be sanctioned by social welfare benefit deduction through the responsible public office.

There are various additional means-tested benefits that support working-age people at risk of poverty. Recipients of social welfare benefit can also receive assistance for other needs, for which he/she has to apply separately.

From the authors' point of view the following points are of importance for the future of the MI scheme in Liechtenstein:

- The most relevant category of recipients of social welfare benefit is long-term unemployment. Within this group, Liechtenstein is facing an increase in the number of persons receiving social benefit. In 2014 approx. 33% of the total social assistance payments were paid to long-term unemployed persons. This led to an increase in the overall costs of social welfare benefits.
- Wage replacement rates from unemployment security payments are much higher than the average payments of social welfare benefit. The probable consequence is insufficient income in case of long-term unemployment, especially if there is no additional household income. This poverty risk is therefore much greater for single-income-households (especially if there are minor children in the single-parent household).

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<sup>1</sup> <https://www.gesetze.li/konso/1985017000>

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- The relatively high cost of living in Liechtenstein and a consumer price growth of nearly 9% between 2000 and 2014 (16% between 1993 and 2014) meant an increasing risk of poverty within the group of residents who could not benefit from economic progress during this time frame. For these, the cost of living has increased much more than salaries.
  - It can be clearly stated, that since 2010, social investment has not had priority on the policy agenda of Liechtenstein. Overall, fiscal consolidation rather than social investment has been the dominant issue since 2010. Nevertheless, it is obvious that the definition and method of setting levels of minimum income with respect to the social welfare benefit system is essential for people in need. Additionally there is no official statistic available which compares the calculated levels of income within the social welfare benefit system or national empirically-determined benchmarks such as median household income.
  - Liechtenstein has implemented a one-desk principle based on the small size of the country, to reduce problems of stigmatisation by avoiding the involvement of communities and closer related persons. Nevertheless, one can assume that non-take-ups may have to do with feeling ashamed about needing social welfare benefit and/or private help, which is organised within family clans.
  - In order to gauge the depth of relative poverty, it would be necessary to look at the distance between the defined minimum income and the median incomes of those households below the poverty threshold. As no such figures are available, no assessment of the impact of the given MI scheme in reducing the level and depth of poverty in Liechtenstein can be made. Additionally no long-term comparison with other countries is possible.
  - The spending on social welfare benefits in-kind has sunk whereas cash benefits have been rising. Thus, the political strategy within the social welfare scheme has no main focus on in-kind benefits, mainly because of the cost-cutting policy over the last years.

## Part I - Description of main features of Minimum Income Scheme

Social assistance is legally defined as a guaranteed basic income. The term social welfare benefit is also used and is a synonym for social assistance. In the following chapters, both terms are used. The overall model of social help in Liechtenstein is very much tailored to the individual situation of the person involved and contains additional social assistance (financial and service help) in addition to the given lump sums of social welfare benefit.

### 1 Governance arrangements

#### 1.1 Levels of governance

Liechtenstein's minimum income protection regime is a system of social welfare provision that guarantees that all citizens / families have an income sufficient to live on, provided they meet certain conditions. The primary goal of the minimum income protection is to avoid and reduce poverty. So, social welfare benefit is by all means the bottom in the Liechtenstein welfare state. Those who cannot support themselves are eligible for social assistance. The basic idea is, however, that the general income maintenance system (sickness insurance, unemployment insurance, pensions etc.) should guarantee everyone an income without being dependent on social welfare benefit. Social welfare benefit should in principle only be a temporary last social assistance.

In Liechtenstein the MI scheme is set up as granted financial benefits on condition of exhausting the rights to other social protection benefits on the one hand, and as personal help for individuals in terms of counselling on the other. If a Liechtenstein resident achieves an income from employment and/or social transfers (including pensions) which is below the minimum income defined by the law, this person is generally entitled to social assistance. The overall model of social protection is very much tailored to the individual situation of the person involved. People with specific financial needs and who fulfil the eligibility conditions have access to social benefits for their needs with regards to housing, costs of raising children, health care, etc. In cases of minimum income, these persons have the supplemental payment option of social welfare benefit.

The alleviation of poverty through an adequate MI scheme has been seen as a fundamental social right by the government of Liechtenstein and therefore found its legal basis in the national Law on Social Assistance (Sozialhilfegesetz, LGBl. 1987 no. 18)<sup>2</sup>. The social welfare benefit is granted on this basis and financed through taxation at state level.

MI schemes are ruled by national legislation. The governmental administration, i.e. the Office of Social Services (Amt für Soziale Dienste, ASD), is responsible for the MI benefits. It ensures a fair administration and equal access to social assistance for all residents in need. The ASD is a multifaceted body, providing individual assistance in the form of counselling, financial support, care and treatment, and other benefits.

#### 1.2 Delivery arrangements

In Liechtenstein the MI scheme is centralised and handled through the Office of Social Services (Amt für Soziale Dienste, ASD). Thus, the delivery of MI social assistance is done at the level of public state authority through the governmental administration itself.

The ASD has the necessary expertise to ensure fair administration. The ASD has the duty to decide on the applications as appealable decisions. A monitoring system is in

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<sup>2</sup> <https://www.gesetze.li/konso/1985017000>

place to ensure equal access to social assistance in Liechtenstein. A public point for complaints, subordinated to the Cabinet Office (SRK, Stabstelle Regierungskanzlei)<sup>3</sup> deals with external complaints.

Usually, the social welfare benefit is paid by the ASD directly to the applicant. The specific method of payment is defined in each single case in accordance with the applicant's needs. The total MI benefit costs are primarily covered by the state but to a certain extent passed on to the communities through the equalisation process.

The coordination between the ASD and other public administration Offices, mainly responsible for various additional, non-means-tested social benefits, is not formally organised in a one-stop shop approach. As Liechtenstein is a very small country the administration Offices are well networked. The link between MI benefits and access to social services and/or other needs-oriented benefits is very well coordinated by the Office of Social Services. Nevertheless, persons in need have to make their applications for each social benefit individually to each of the administration Offices in charge.

### 1.3 Rights-based versus discretionary benefits

As stated above, in Liechtenstein the state has the ultimate responsibility for every resident. Hence, when every other financial resource has been exhausted, the MI system has to step in. The individual always has a responsibility to support him/herself, which basically means that a person only can get social welfare benefit if he or she is working but still cannot support living or, if unemployed, is actively looking for a job or participating in job market service activities to find one.

In Liechtenstein, MI benefits are granted social rights on condition that other social protection benefits are not sufficient or applicable. The regulations on MI schemes, e.g. on eligibility, amount, conditions etc. are provided at national level. As stated in Art. 3 of the Law on Social Assistance (Sozialhilfegesetz, LGBl. 1987 no. 18, Art. 12a<sup>4</sup>) a person is eligible for MI benefits if:

- He/she is a Liechtenstein citizen and achieves an income from employment and/or social transfers (including pensions) which is below the minimum income defined by the law;
- He/she is a Liechtenstein resident but not a citizen and cannot support him-/herself and
  - the eligibility of MI benefits is laid down in accordance with state treaty (state treaty between Liechtenstein and the citizenship country of the resident);
  - the home country of the resident grants MI benefits reciprocally (i.e. treats Liechtenstein citizen resident in that country equally to its own citizens);
  - where it is necessary, in the common interest or in the interest of the person in need, to prevent that person from becoming homeless.

The subsistence level for social welfare benefit is laid down in Art. 12a of the Regulation to the Law on Social Assistance (Verordnung vom 7. April 1987 zum Sozialhilfegesetz, LGBl. 1987 no. 18, Art. 12a<sup>5</sup>).

The definition is based on four factors: minimum subsistence level; cost of living; premium on compulsory health insurance; and occupational extra costs. For each of these factors the regulation contains additional criteria. Art. 20a of the Regulation to the Law on Social Assistance defines the amount of lump sums per household and month to meet the basic needs mentioned above.

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<sup>3</sup> <http://www.llv.li/#/12560/beratungs-und-beschwerdestelle>

<sup>4</sup> Sozialhilfegesetz vom 15. November 1984, LGBl 1985 no. 17: source: <https://www.gesetze.li/konso/pdf/1985017000>

<sup>5</sup> Sozialhilfegesetz vom 15. November 1984, LGBl 1985 no. 17 source: <https://www.gesetze.li/konso/pdf/1985017000>

If a person in Liechtenstein fulfils the given legally defined criteria for MI benefits as stated in Art. 3 of the Law on Social Assistance (Sozialhilfegesetz) and makes an application for social support, the evaluation process by the responsible public administration office has to be transparent and documented. Nevertheless there is a certain degree of discretion associated with the implementation of the MI scheme, as Liechtenstein is a very small country and staff members of the administrative office (who are deciding on the applications for social benefits) know many applicants personally. This fact, combined with the reluctance to reveal one's personal financial situation, is resulting in lower take-ups. Some people think they are not eligible or do not want to let anybody know about their precarious financial situation.

## 2 Design of minimum income scheme

The MI scheme in Liechtenstein follows two common principles:

- The “principle of individuality” means that social assistance entitlements are dependent on the claimant's specific individual circumstances, e.g. characteristics of the individual's indigence, individual physical and mental capabilities, etc.;
- The “principle of subsidiarity” implies that social welfare benefit, representing the second social safety net, only applies if entitlements to other social security schemes are not given or have expired.

Thus, the MI scheme is designed to connect cash benefits and social services. The receipt of financial MI benefits depends on a mechanism based on a set of clearly specified indicators for establishing the level of payments. These are basically the living expenses in Liechtenstein and the individual's income to cover these costs.

The social services assistance results from the individual's assessment by the competent authorities based on the personal circumstances (including his/her physical and mental state) of the person in need, his/her behaviour and environment.

### 2.1 Level of benefit

Liechtenstein has a relatively simple and comprehensive MI scheme, available to all those with insufficient means to support themselves. The public social benefits are legally defined as a minimum income to guarantee a living in the economic environment of Liechtenstein. If the total income of a household is below the minimum income defined by law, the right to receive social benefits is triggered. Thus, insurance benefits are the first step within the social system. Whenever they are exhausted or insufficient, MI benefits come into play. Besides insurance and MI benefits, non-means-tested benefits can be obtained, based on individual circumstances.

Unemployment benefits are the main support measure for people who have lost their job and other individuals without employment. Liechtenstein's unemployment insurance is mandatory and it offers compensation for lost earnings subject to work-related conditions. Claimants must have contributed to the insurance fund and been employed over a certain period in order to be eligible. Claimants must also be actively looking for work. Benefit duration is limited. Job seekers, whose entitlement to unemployment insurance benefits has expired, may be entitled to MI benefits. The main purpose of MI benefit is the provision of a minimum level of income, other than insurance against lost earnings. As a result, MI benefit levels tend to be significantly lower and less directly dependent on previous earnings.

According to Liechtenstein's legal regulations for the definition of an annual disposable income (social assistance norm), the subsistence level for social welfare benefit is laid down in Art. 12a of the Regulation to the Law on Social Assistance (Verordnung vom 7. April 1987 zum Sozialhilfegesetz<sup>6</sup>) as follows:

- 1-person-houshold CHF 1,110 (approx. EUR 1018)
- 2-person-houshold CHF 1,700 (approx. EUR 1560)
- 3-person-houshold CHF 2,070 Swiss francs (approx. EUR 1900)
- 4-person-houshold CHF 2,375 Swiss francs<sup>7</sup> (approx. EUR 2180)

When calculating the subsistence level for social welfare benefit no differentiation is made between members of the household. Thus, a divorced single parent with one child falls also into the same 2-person-houshold definition as a married couple without children.

These calculated minimum income levels are composed of the following categories:

- the basic needs for living (minimum living wages);
- the costs of housing;
- the costs of primary health care and
- the minimum insurance contribution to the National Old Age and Widow's Pension (AHV-IV-FAK) foundation.

The current method for setting levels within the social welfare benefit system is basically guided by the average wages in the economy on one side and by the Consumer Price Index on the other. This approach ensures that each generation can obtain MI benefits that reflect the current living standards. Thus, if cost of living, as measured by the Consumer Price Index, increases, social welfare benefits are adjusted to keep pace. Nevertheless the law is silent regarding any clear mechanism for the periodic review of the social assistance norm which is the basis for MI payment levels.

Consequently, if someone in Liechtenstein achieves an income from employment and/or social transfers (including pensions) which is below the above-mentioned limit, this person is generally entitled to social welfare benefit. It follows from the above-mentioned definitions that the overall model of social help in Liechtenstein is very much suited to the individual situation of the person involved and contains additional social assistance (financial and service help) in addition to the given lump sums of social welfare benefit.

## 2.2 Eligibility conditions

The eligibility conditions for social welfare benefit in Liechtenstein are basically determined by

- the existence of indigence or need for a Liechtenstein citizen, meaning that the person claiming MI benefits is unable to cover one's subsistence or livelihood either out of one's own strength and means (income, property and use of labour) or out of maintenance from within the family, or out of entitlements under social insurance law or other entitlements;

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<sup>6</sup> Sozialhilfegesetz vom 15. November 1984, LGBl 1985 no. 17; source: <https://www.gesetze.li/konso/pdf/1985017000>

<sup>7</sup> 5-person-houshold 2,660 Swiss francs, 6-person-houshold 2,940 Swiss francs, 7-person-houshold 3,225 Swiss francs and for each additional person 461 Swiss francs.

- being resident in Liechtenstein but not a citizen and unable to support oneself and
  - the eligibility of MI benefits is laid down in accordance with state treaty (state treaty between Liechtenstein and the citizenship country of the resident);
  - the home country of the resident grants MI benefits reciprocally (i.e. treats Liechtenstein citizen resident in that country equally to its own citizens);
  - where it is necessary, in the common interest or in the interest of the person in need, to prevent that person from becoming homeless.

Hence, the person in question must be resident in Liechtenstein, experiencing personal distress or unable to earn his/her own living or provide for his/her family. The social assistance norm, defined as the minimum annual disposable income necessary to live on, is laid down in the Regulation to the Law on Social Assistance. Basically, an eligible person with a household income less than the social assistance norm has the right to social assistance.

The MI scheme therefore makes no differentiation regarding the employment status of the person. The income/asset status is the most relevant criteria. Thus, applicants to social welfare benefits are expected to realise savings and assets before they are eligible to receive social assistance. The extent of this is clearly limited. Hence it is not necessary for house owners to sell their house in order to realise assets, if they inhabit the house or need its rent in order to support themselves.

All granted benefits, such as pensions, unemployment benefit, rent allowance, child benefits and transfers count as income under the Law on Social Assistance and are part of the definition of an annual disposable income. However, in order to avoid harmful disincentives, children's incomes from work, for example during school breaks, are excluded from the calculation of the household income. The same goes for the single parent allowance. This social benefit is not included in the disposable income of a household. Other transfers and benefits, e. g. rent allowance or child benefits, are granted without taking the household income into consideration for eligibility conditions.

### **2.3 Conditionality rules**

Anyone who claims social welfare must provide truthful information on their personal situation, their income and fortune. Liechtenstein's responsible authority treats omissions or untruthful declarations with great severity and can terminate support. Applicants must actively collaborate with the assessment of their needs and must inform the authorities of any relevant change to their situation.

Persons receiving social welfare benefit are furthermore obliged to use their best efforts to earn their own living. Insufficient efforts to find and keep a job, the refusal to participate in a work project or the nonfulfillment / disregard of instructions by the person receiving social welfare benefit can be sanctioned by social welfare benefit deduction.

On the other hand, the MI scheme includes financial incentives for recipients who are very engaged in improving their occupational and social integration or who do voluntary work. Such persons can receive an additional amount of social welfare benefit of up to CHF 300 Swiss francs (approx. EUR 275) per month.

### **2.4 Duration**

The social welfare benefits in Liechtenstein are open as long as the eligibility conditions are met. There is no general time limit or maximum duration of the aid measure in place.

### **2.5 Transitions**

Unemployment insurance benefit is the follow-up wage compensation scheme after a given employment situation has ended. The most basic eligibility conditions for unemployment insurance are at least 12 months of employment in the previous two

years, to be available for work, and to satisfy some other requirements. 80% of an insured person's earnings is paid as unemployment benefit for up to 260 days for persons aged up to 49 with at least 24 months of contributions; for up to 400 days if the person is aged 50–59 and has a contribution record of 18 months; and for up to 500 days if the person is 60–64 with a contributions record of 22 months. It may be reduced to 70% if there are no dependent children, if the person is in receipt of a full daily cash benefit of over CHF 140 (approx. EUR 130) or if they not have a disability.

Once the maximum number of days of unemployment insurance payments (as defined above) is exceeded, the long-term unemployed can request social welfare benefits at the Office for Social Services. Once the long-term unemployed person reaches pensionable age (currently 64) pension payments must be taken into consideration in the calculation of individual income. If the total income (now including pension payments) exceeds the legally defined minimum income, the right to social benefits ceases.

Where an individual is not available to the labour market because of mental or physical illness, she or he has to refer to other social security schemes such as health insurance, invalidity pensions or supplementary social benefits.

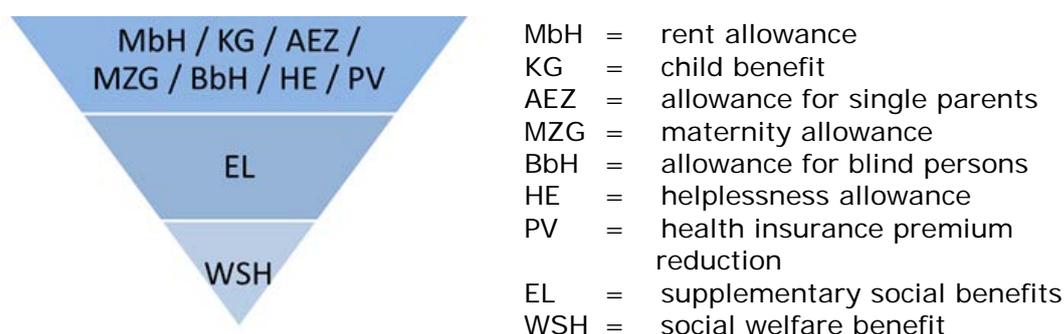
On the other hand, if a person can re-enter the working environment and has a new engagement, no special arrangements are in place when moving from unemployment and receiving social welfare benefit to employment with regular income.

As a general clause, based on Art. 17 of the Law on Social Assistance<sup>8</sup>, social welfare benefits have to be refunded if they had been unduly received or in case of substantial changes in the social welfare benefit recipient's situation (e. g. large inheritance or winnings, high income etc.).

### 3 Links with other social benefits and services

#### 3.1 Components covered by MI schemes

The social welfare benefit is the last anchor in the social system of Liechtenstein. There are no specific components included in the social welfare benefit. Generally speaking, the social system in Liechtenstein consists of specific benefits, which are solely granted to persons with specific needs and come into play first to avoid poverty. Such components are:



But when it comes to social welfare benefit, all the different social allowances paid are taken into consideration in the calculation of the household income to determine if a person is eligible for social welfare benefit. Thus, the social welfare benefit is a top-up awarded above the financial social assistances listed above.

<sup>8</sup> <https://www.gesetze.li/konso/1985017000>

The Liechtenstein social welfare benefit includes components to cover the following costs regardless of whether specific social benefits have been requested or not, and are therefore relevant for the individual situation of the person:

- basic living costs (food, clothes, travel, household costs);
- housing costs (rent);
- health insurance.

### 3.2 Other means-tested benefits

Liechtenstein's social welfare structure is highly developed. There are various additional means-tested benefits that support working-age people at risk of poverty. Thus, in Liechtenstein recipients of social welfare benefits can also receive assistance for other needs. The most relevant are the following:

- supplementary social benefits;
- rent allowance;
- helplessness allowance;
- health insurance premium reduction.

All these are additional financial benefits which are not included in the social welfare benefits. Therefore if a person is in specific financial need, he or she has to apply for the financial benefit separately.

The rent allowance, based on a household income below certain thresholds, is legally defined in the Act on Rent Allowance for Families (ARAF). This act defines the income threshold for eligibility to rent allowance on the basis of chargeable income with respect to the Liechtenstein tax law. It gives different minimum amounts of household income due to the fact that there must be at least one child without income in the same household (e. g. 2-person-household = single parent plus child):

- |                             |                                 |
|-----------------------------|---------------------------------|
| • 2-person-houshold         | CHF 55,000 (approx. EUR 50,000) |
| • 3-person-houshold         | CHF 65,000 (approx. EUR 59,500) |
| • 4-person-houshold         | CHF 70,000 (approx. EUR 64,000) |
| • 5-person-houshold         | CHF 75,000 (approx. EUR 68,500) |
| • 6-person-houshold or more | CHF 80,000 (approx. EUR 73,000) |

The health insurance premium reduction is another important benefit to avoid poverty or insufficient social security.

Liechtenstein's social system also includes some non-means-tested benefits, which, though effectively they provide a safety net to relieve minimum income, are actually general social benefits for all residents in Liechtenstein who have specific needs, e. g. children, persons with a disability, etc. These are

- the monthly child allowance (payable until the child reaches the age of 18);
- the monthly single-parent's allowance (payable until child reaches the age of 18);
- maternity allowance;
- allowance for people with disabilities.

### 3.3 Passport to other services and benefits

If a person obtains MI benefits, this does not allow him/her access to other social benefits or support without claiming these separately and fulfilling their eligibility criteria. Thus, as no automatic eligibility of additional social benefits or higher rates of another benefit are combined with the MI benefits.

## Part II - Analysis of Minimum Income Schemes

This chapter deals with the effectiveness and therefore the outcome of the existing MI scheme in Liechtenstein, namely the social welfare benefit.

The following topics are addressed in more detail: adequacy with regards to at-risk-of poverty thresholds and other indicators such as disposable income and legal minimum wages, coverage and take-up and the effectiveness of minimum income schemes in terms of poverty reduction and incentives to work.

### 1 Assessment of adequacy, coverage, take-up and impact

The Liechtenstein MI scheme uses standard rates according to the Law on Social Assistance. The MI benefits vary with the number of people in the household who have to live on the benefit, which is reflected in the standard rates. On the other hand, in order to compare the standard rate of a minimum household income with the effective household income of the applicant, some means testing is done, and the income or assets of a partner living in the same household are taken into account.

#### 1.1 Adequacy

To assess the adequacy of MI benefits in relation to the national median income, one option would be to make detailed calculations on net replacement rates and income levels of people receiving unemployment benefits and social assistance. This would allow taking various elements into account, such as the tax system, the social benefits scheme with various allowance components, and different household structures. However, for Liechtenstein at the time being such calculations are not available from national sources.

The Liechtenstein approach to social welfare benefit as the relevant “MI benefit” – regardless of the individual situation concerning employment – is based on monitoring the living conditions of residents in Liechtenstein. In more detail, the minimum living wages are calculated based on the actual costs of living in Liechtenstein and have to include by law the following expenses:

- food and beverages
- clothing and footwear
- expenses of energy consumption without costs of housing services
- household expenses
- basic household necessities
- basic medical care
- travelling costs (public transport costs etc.)
- postage and delivery costs
- entertainment and education (costs of schooling, books, kids’ toys, etc.)
- expenses for personal hygiene
- home contents and liability insurance
- pocket money.

The current method for setting levels within the social welfare benefit system is basically guided by the average wages in the economy and the Consumer Price Index. This approach ensures that each generation can obtain MI benefits that reflect the current living standards. Nevertheless the law is silent regarding any clear mechanism for the periodic review of the social assistance norm which is the basis for MI payment levels.

Consequently, if someone in Liechtenstein achieves an income from employment and/or social transfers (including pensions) which is below the calculated minimum income level, this person is generally entitled to social welfare benefit. The MI scheme therefore makes no differentiation regarding the employment status of the person. The income/asset status is the most relevant criteria. In this context it is worth noting that when exceeding the maximum days of unemployment insurance payments, long-term unemployed persons can request social welfare benefits at the Office for Social

Services. This social welfare benefit, which substitutes the unemployment payments, is in most cases significantly lower, as the calculation scheme is different. For this reason, a reduction of the total household income happens in most cases. This is especially true for people with earlier above average wages and for two-earner couples. People not meeting the eligibility criteria for unemployment payments will face a clear income reduction when losing employment and receiving social welfare benefit instead.

There has been no political discussion during the last years on what level of income should be deemed adequate for social welfare benefit. Nevertheless, it is obvious that the definition and method of setting levels is essential to people in need. Additionally there is no official statistic available which compares the calculated levels of income within the social welfare benefit system or national empirically-determined benchmarks such as median household income.

The definition of achieved income is not limited to the applicant's income; it includes the total income of all members living in the same household. Thus, the income calculation includes employment salary, benefits from unemployment insurance, pensions as well as - where applicable - social benefits such as rent allowance, child benefits, maternity allowance, allowance for blind persons, helplessness allowance and the employment income of spouses, adult children etc., living in the same household. All these different income types count as income under the Law on Social Assistance and are part of the definition of an annual disposable income. However, in order to avoid harmful disincentives, children's incomes from work, for example during school breaks, are excluded from the calculation of the household income. The same goes for the single parent allowance. This social benefit is not included in the disposable income of a household.

Thus, applicants of social welfare benefits are expected to realise savings and assets before they are eligible to receive social assistance. The extent of this is clearly limited. It is not necessary for house owners to sell their house in order to realise assets, if they inhabit the house or need its rent in order to support themselves.

It follows from the above-mentioned definitions that the overall model of social help in Liechtenstein is very much tailored to the individual situation of the person involved and contains step-up options in addition to the given lump sums of social welfare benefit. Thus, additional allowances are granted for occupational and/or integration expenses to promote / preserve the individual's social and economic integration.

## **1.2 Coverage**

The Liechtenstein MI scheme represents the ultimate safety net within the social welfare system of Liechtenstein. A slight increase in recipients of social assistance has been noted during the last five years. This can be seen from the following table:

	2008	2009	2010	2011	2012	2013	2014
<b>Total recipients of social welfare benefit (social assistance)</b>	<b>478</b>	<b>439</b>	<b>440</b>	<b>451</b>	<b>487</b>	<b>522</b>	<b>533</b>
Origin							
- Liechtenstein	51%	60%	60%	56%	56%	58%	58.2%
- EU	20%	16%	16%	19%	18.2%	17%	17.8%
- Switzerland	6%	7%	7%	6%	6.8%	5%	4.7%
- others	23%	17%	17%	18%	19.1%	20%	19.3%
- unknown	-	-	-	1%	-	-	
Civilian status							
- divorced	19%	31%	30%	36.4%	25.1%	26.2%	24.0%
- separated	17%				9.9%	9%	9.4%
- single	40%	40%	43%	43.6%	43.9%	45.2%	47.3%
- married	24%	27%	24%	18.2%	18.7%	18.2%	18.0%
- widowed	1%	2%	3%	1.8%	2.1%	1.3%	1.3%
- single parent	18%	15%	15%	13.7%	12.5%	13.2%	11.4%

There is a variety of reasons for this increase. The main factors are unemployment, incapacity to work and insufficient income. More details are shown by the following table:<sup>9</sup>

Reason for social welfare benefit	Amount spent (CHF)
Unemployment	2.4 million
Incapacity to work	1.6 million
Insufficient income (income below the subsistence level for social welfare)	1.0 million
Single-parent household	0.5 million
Medical help for hospital treatment	1.8 million

The largest category of recipients of social welfare benefit is the long-term unemployed in terms of insufficient income. The average unemployment allowance is nearly 4 times higher than the lump sum payment for a 1-person household based on the Law on Social Assistance. This high level of unemployment allowance enables the affected persons to continue living without any deep impact on their position in society. This is a very favourable situation, supported by the comfortable financial situation of the unemployment insurance.

Within the group of long-term unemployed, Liechtenstein is facing an increase in the number of persons receiving social benefit. In 2014 233 long-term unemployed persons received social welfare help. The amount of paid social assistance to these unemployed persons in 2014 was about CHF 2.4 million (approx. EUR 2.28 million), which represents approx. 33% of the total social assistance payments in Liechtenstein. This led to an increase in the overall costs of social welfare benefits. The amount spent in 2014 by the Office for Social Services, which is the local authority in charge, was CHF 7.3 million (approx. EUR 6.79 million).

<sup>9</sup> The numbers in € are about 5 per cent lower than the Swiss francs quotation.

Source: <http://www.llv.li/files/srk/rb14-rechenschaftsbericht-2014-gesamt.pdf>; <http://www.llv.li/files/asd/jahresbericht-asd-2014.pdf>

In Liechtenstein in general, the following problems have appeared in the last couple of years that are not adequately covered by minimum income schemes and/or for specific groups:

- Wage replacement rates from unemployment security payments are much higher compared to average payments of social welfare benefit. The probable consequence is insufficient income for the long-term unemployed, especially if there is no additional household income. This poverty risk is therefore much greater for single-income-households (especially if there are minor children in the single-parent household).
- The relatively high cost of living in Liechtenstein, and a consumer price growth of nearly 9% between 2000 and 2014 (16% between 1993 and 2014 and nearly 60% between 1983 and 2014) involve an increasing risk of poverty for the group of residents who could not benefit from economic progress during this time frame. For these, the cost of living has increased much more than their salaries. This effect grows in importance given that the MI scheme has basically remained unchanged since 2010.
- The Act on Rent Allowance for Families (ARAF) defines the income threshold on the basis of the chargeable income with respect to the Liechtenstein tax law. This led to different minimum amounts of household income between measures even if the calculation was based in both cases on the fact that there must be at least one child (who has no income) in the same household (e. g. 2-person-household = single parent plus child).<sup>10</sup> Thus, the breadline under the ARAF for a 2-person household is CHF 55,000 per year. Compared with the Law on Social Assistance, which defines the lump sum per household as CHF 20,400, there is a significant difference. This could lead to the interpretation that the current regime of social assistance appears to provide benefits that are considerably lower than the at-risk-of-poverty threshold. However, this assumption is based only on the minimum benefit and not on all granted surplus benefits.

### 1.3 Take-up

As mentioned above, the number of recipients of social welfare benefit in Liechtenstein has been rising significantly during the last ten years. The number of beneficiaries of social assistance has grown from 478 to 533 between 2008 and 2014. However, due to Liechtenstein's small size, no in-depth analysis about the social assistance based on the recipient's place of domicile (community) is available. As Liechtenstein does not differentiate between the communities in the social welfare scheme, no conclusions can be drawn on the heterogeneity of social problems based on the place of residence. On the whole, the uniform social welfare system in Liechtenstein, with identical regulations and standards of implementation, provides a stable background with no basis for different social problems due to residence.

Furthermore, the question of non-take-up due to various reasons, and the correlated poverty, cannot be extrapolated for Liechtenstein. Unfortunately, no in-depth analyses are available regarding non-take-ups.

Liechtenstein has implemented a one-desk principle when it comes to social assistance, which is considered to have positive effects on take-up as this administrative structure reduces problems of stigmatisation by avoiding the involvement of communities and closer related persons. Nevertheless, one can assume, that non-take-up may occur against a background of several barriers. Some of them may still have to do with feeling ashamed about needing social welfare benefit or/and private help, which is organised within family clans.

Liechtenstein has a lack of detailed analysis regarding the extent and reasons for non-take up of social welfare benefit. The number of households which are not receiving social assistance and the total number of those who are potentially eligible is not

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<sup>10</sup> The numbers in € are about 5 per cent lower than the Swiss francs quotation.

available. Such analysis would need to be done on the tax income statistics, which were collected for the last time in 2007.<sup>11</sup>

## 1.4 Impact

According to the Liechtenstein poverty report of 2008, the threshold was an annual disposable income<sup>12</sup> of less than CHF 27,754. In 2008 11% of all the households in Liechtenstein were classified as households with a low income, meaning below the above-mentioned minimum income. If social welfare benefits are taken out of the calculation, the number of households with a low income has to be adjusted upwards to 19.2%. Those mostly affected were single parent households (23.4% of the 19.2%) and couples with two or more children (14.7% of 19.2%). In order to gauge the depth of relative poverty, it would also be necessary to look at the distance between the above-mentioned minimum income and the median incomes of those households below the poverty threshold. There are no such figures for Liechtenstein at present. Thus, no assessment of the impact of the given MI scheme in reducing the level and depth of poverty in Liechtenstein can be made.

Additionally, based on the low level of available data when measuring social welfare benefits, especially MI system adequacy in Liechtenstein, no long-term comparison with other countries is possible.

## 2 Links to other two pillars of active inclusion

In Liechtenstein, employment and training programmes for all regions of Liechtenstein are performed by the Liechtenstein Labour Market Service Centre (AMS)<sup>13</sup>. Their traditional clientele are recipients of unemployment benefits. But the Labour Market Service Centre traditionally does not offer respective programmes to recipients of social assistance or at least not to sole-recipients of social assistance (i.e. recipients of social assistance without synchronous benefits from unemployment insurance).

However, as Liechtenstein is a very small country, the administration offices which have to deal with unemployment benefits and social assistance are well networked. The coordination between these two service providers is not formally organised as a one-stop shop approach, but interactions in the area of employment and training programmes exist and work. In other words: recipients of social assistance are generally also covered by the employment and training programmes of the AMS.

### 2.1 Inclusive labour markets

The general labour performance has been rather good to date. Unemployment rates are, from an internationally comparative point of view, low, as are rates of long-term unemployment. Thus, the average unemployment rate in 2014 was 2.4%, compared to 2.5% in 2013. The number of people who have an insufficient income despite full time employment is relatively low in relation to the total employment figure. Furthermore, since 2007, collective bargaining agreements within the framework of the social partnership have been made, with a binding effect on an entire sector. These agreements cover minimum wages, working times and other terms of employment and are designed to prevent social and wage dumping. Nevertheless there is still a need for an active labour market policy. This includes intervention measures to prevent unemployment before it happens, compensatory payments for short-time working to help to prevent jobs from being automatically cut in times of economic crisis, individual case management, etc.

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<sup>11</sup> Details regarding the analysis of poverty in Liechtenstein, 2008 (Zweiter Armutsbericht 2008) can be taken from: <http://www.llv.li/files/scg/pdf-llv-scg-armutsbericht.pdf>

<sup>12</sup> Disposable income = all sources of income and government welfare after taxes, educational costs based on the Liechtenstein tax law and social security costs. Not included are capital gains, lottery winnings, income from immovable property etc.

<sup>13</sup> Link: <http://www.amsfl.li>

Despite a strong labour market situation, the social welfare system in Liechtenstein relies on active labour market programmes supporting MI recipients to manage supporting themselves again. Persons receiving social welfare benefit are obliged to use their best efforts to earn their own living. Insufficient efforts to find and keep a job, the refusal to participate in a work project or the nonfulfillment / disregard of instructions can be sanctioned by the responsible public office by social welfare benefit deductions.

The long-term unemployed, benefit exhausters and social assistance recipients suffer under the additional uncertainty of their situation. This can lead to increased stress and anxiety as individuals take on loans to get them through the hard times and keep up with a certain standard of life to avoid the social consequences of decreasing income. The correlation between personal debt and specific common mental disorders has been scientifically proven (Meltzer et al., 2012)<sup>14</sup>. To protect such persons from this risk, the social welfare scheme includes various programmes like the health management and NLP in daily life etc. Data on participation of social assistance recipients in active programmes is not publicly available. Thus, no conclusion about the correlation of the above mentioned active labour market support measures and their effect on the total amount of social assistance paid is available, nor are there studies on effects over time for employable social assistance recipients in such programmes.

When it comes to the aspect of any long-term dependency on MI benefits, the “principle of individuality” rules, which means that social assistance entitlements are dependent on the claimant’s specific individual circumstances, and the unemployment benefit system is the most relevant. As mentioned earlier, Liechtenstein follows an approach of intervening early in order to reduce the costs associated with long-term benefit dependency, including intervening even before entry into the benefit system. Thus, the social services offered by the AMS (for people who have lost their job) and by the Office for Social Services (social assistance applicants) are guided by a clear and comprehensive expectation of looking for, and accepting, reasonable offers of paid work.

The fact, that no specific legal obligation or built-in opportunity is stipulated, can be evaluated as a gap in reducing dependency on MI benefits. Such an obligation would require from the social assistance recipient that if integration in work cannot be achieved within a certain period of time, further benefit payments would be linked to the participation in working projects (e.g. social projects). The official description of social assistance as given by the Office for Social Services, mentions that a person’s insufficient efforts to find and keep a job, the refusal to participate in a work project or the nonfulfillment / disregard of instructions can be sanctioned by the responsible public Office. The clear consequences are not listed nor described. Thus, MI benefit recipients with a lower education and income perspective on the labour market may feel like they are “in a safe haven” and will not see the need for improving their own situation by finding their way back into the labour market.

## 2.2 Access to quality services

Regarding access to quality services, it is hard to assess the extent of support for minimum income schemes or population at risk in any qualitative way. Liechtenstein has no publicly available statistics dealing with the effect of benefits and social services on poverty reduction. Therefore no clear differentiation can be made between benefits or services available from social insurance (e. g. unemployment insurance) on the one hand, and the social welfare benefit scheme on the other.

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<sup>14</sup> Source: <http://www.ncbi.nlm.nih.gov/pubmed/22434207>

As a starting point, it is worth noting that public expenditure in Liechtenstein for non-cash benefits is generally rather low compared to cash-benefits, as can be seen from the following table:

<b>Type of expenditure</b>	<b>2014</b>	<b>2013</b>
Social assistance – cash benefits	€6.79 million	€6.74 million
Job activation programmes – in-kind benefits	€0.25 million	€0.27 million

The data of the last two years at least shows that spending on benefits in-kind has decreased whereas cash benefits have been rising. Thus, the social welfare scheme's political strategy has no main focus on in-kind benefits. This is on one hand based on the cost-cutting policy over the last years, and on the other on the general low number of MI recipients in Liechtenstein.

### 3 Summary table

The table below gives an overview of the principal characteristics of Liechtenstein's minimum income schemes (MISs) based on the above assessment results. The table summarises the given situation of the state development of MISs in the context of the broader social protection system in Liechtenstein. In this context the comment "SQ" (status quo) stands for no specific minimum income schemes developments during the last years.

Assessment of MI scheme(s)				
	Assessment			Evolution over time
<b>Adequacy</b> How adequate is the level of MI benefits?	Adequate	Somewhat inadequate	Very inadequate	
	<b>X</b>			<b>SQ</b>
<b>Coverage</b> How extensive is the coverage of people in need?	Fairly comprehensive	Partial	Very limited	
	<b>X</b>			<b>SQ</b>
<b>Take-up</b> How complete is the take-up of MI benefits by those entitled to them?	Fairly complete	Partial	Quite limited	
		<b>X</b>		<b>SQ</b>
<b>Impact on Poverty Reduction (1)</b> What is the impact of MI provision in reducing the at-risk-of-poverty rate?	Strong impact	Partial impact	Very limited impact	
		<b>X</b>		<b>SQ</b>
<b>Impact on Poverty Reduction (2)</b> What is the impact of MI provision in reducing the at-risk-of-poverty depth?	Strong impact	Partial impact	Very limited impact	
	<b>X</b>			<b>SQ</b>
<b>Link to Active Labour Market Policy (ALMP)</b> In practice, how effective are the links between MI scheme(s) and ALMP measures?	Very effective links	Mediumly effective	Very ineffective	
		<b>X</b>		<b>SQ</b>
<b>Link to Adequate Services</b> In practice, how effective are the links between MI scheme(s) and access to adequate services?	Very effective links	Mediumly effective	Very ineffective	
		<b>X</b>		<b>SQ</b>

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