Trends in social cohesion, No. 3

Using social benefits to combat poverty and social exclusion: opportunities and problems from a comparative perspective

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Using social benefits to combat poverty and social exclusion : opportunities and problems from a comparative perspective

European synthesis report

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and
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The opinions expressed in this work are those of the authors and do not necessarily reflect the official policy of the Council of Europe or of the Secretariat.

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Foreword

As an international organisation devoted to the promotion of basic values and human rights, the Council of Europe has defined one of its major goals to be the promotion of social cohesion in all its member states.

In its Strategy for Social Cohesion, which sets the agenda for the Council of Europe in the social field for the coming years, the European Committee for Social Cohesion emphasises that social security systems are one of the most powerful institutional expressions of social solidarity, and that at a time when many questions are being posed about their future design, development and financing, any social cohesion strategy should have as a main aim the strengthening of social security systems.

In this volume of *Trends in Social Cohesion* the focus is set on what is commonly known as last-resort benefits. Unlike for example pension benefits, last-resort benefits are not the most important social security scheme in economic terms, nor do they involve a large number of recipients. However, from the point of view of social cohesion, it is undoubtedly one of the most important tools since last-resort benefits aim to provide for the most vulnerable and weakest groups in European welfare states – those who have no other support or those who, because of income poverty, depend on social welfare to make ends meet and participate in social life.

Matti Heikkilä and Susan Kuivalainen have prepared a report for the European Committee for Social Cohesion describing trends and developments in how governments choose to provide for the most vulnerable groups in a sample of European states. Perhaps the most interesting aspect of their work is that they compare and highlight the differences between not only what has been labelled as the traditional welfare states found in western Europe, but they also include countries in economic transition in which the welfare state is subject to substantial reform, and where the problem of poverty is often greater than in the west.

The authors examine issues such as differentials in the level and nature of poverty in Europe, policy responses, poverty thresholds, tools for combating poverty and the generosity and financing of the schemes in place.

This is the third volume in the series *Trends in Social Cohesion* launched by the Directorate General III Social Cohesion in order to provide a forum for observation and analysis of the developments taking place on matters of social cohesion in the Council of Europe member states.

Gabriella Battaini-Dragoni

Director General of Social Cohesion
Council of Europe

Acknowledgements

In November 2000 the European Committee for Social Cohesion (CDSC) of the Council of Europe (CoE) launched a study group to examine the role of social benefits in combating poverty and social exclusion in selected countries of the Council. This decision assumed that a common feature of social programmes is their aim to secure an adequate standard of living for the population, and that some social benefits in such programmes are designed more specifically as tools to combat poverty and social exclusion. Social protection, and these benefits in particular, play an important and stabilising role in society. Exploring social protection and its effectiveness in combating poverty is thus a worthwhile task for the CoE, given the Council´s strong commitment to promoting social cohesion and democratic stability. The Committee's initiative was also prompted by the notion that setting up a study group on social protection and its impact on poverty in certain CoE member states, particularly those not covered in similar work produced by the OECD and European Union, would represent a timely initiative with considerable potential to contribute unique insights to the ongoing discourse on means and practices for combating poverty in Europe.

To implement the research outlined by the Secretariat of the Directorate General III Social Cohesion, the CDCS decided to invite contributions from "local" experts, that is those familiar with the Scandinavian, Anglo-Saxon and continental southern European welfare models, along with representatives from the eastern European countries. The study covered the following eight countries : Finland, Belgium, France, Ireland, Malta, Latvia, the Czech Republic and Bulgaria.

This project was administered by the Secretariat of the Council of Europe - Directorate General III Social Cohesion. The key persons supervising and guiding the work were Mrs Gilda Farrell, Head of the Social Cohesion Development Division, and Mr Rickard Sandell, Administrator.

To finalise the research plan and terms of reference the Secretariat invited three independent experts, Mr Jean-Louis Vidana, Mr Brian Nolan and Mr Matti Heikkilä, to an *ad hoc* meeting in 2000. In the next phase, an extensive examination covering all the member countries of the Council of Europe was commissioned from Mr Matti Heikkilä and Ms Susan Kuivalainen. Two meetings of the whole study group were organised in Strasbourg during the course of the project. This report is a synthesis of

the eight country reports prepared and submitted by the correspondents. Language editing of this report was by Mr Richard Burton. The individual country reports are available as working papers. The Secretariat owes special thanks to all the experts and correspondents involved in the project for their valuable contributions.

PREFACE

This project, "Using social benefits to combat poverty and social exclusion: opportunities and problems from a comparative perspective", set out to address five broad issues. Firstly, the nature and scope of the problem of material poverty were explored for each of the eight countries covered by the project. Our focus on recent trends and developments in poverty proved particularly relevant to the CEE countries, because the early years of transition in most eastern European nations were painful in terms of social consequences, and resulted in a clear deterioration of well-being. Secondly, political responses to the issue of poverty were examined: How are individual governments currently recognising and addressing the problem of low income and social exclusion, and why have they adopted their chosen approach? Thirdly, we investigated the existence and use of various poverty definitions and thresholds in actual policy. The fourth broad question concerned variations within income transfers, that is social benefits designed to prevent or to alleviate poverty and material hardship. The idea was to see whether any coherent patterns emerged amongst the countries in terms of their use of insurance-based and/or tax-financed means-tested benefits for this purpose. The focus here of course was to analyse the guaranteed minimum income structures. The fifth and final issue explored was the effectiveness of benefit schemes to reduce poverty. This task proved highly challenging both in terms of technical difficulties and the availability of proper data. In the extensive overview report (Kuivalainen and Heikkilä, 2001), some efforts were made to examine the macro-effectiveness of transfers using the pre and post transfer income design. The individual country correspondents were asked to calculate the generosity of minimum income schemes in relation to average and low wages and national poverty lines for several pre-defined household types.

This synthesis report is based mainly on the contributions of national experts, also referred to as correspondents. Recent reports by the European Union, Council of Europe, UNDP and the World Bank formed additional sources of information, mainly for the first chapter dealing with the general social policy context. The reliability of information presented in the country-specific descriptions is the responsibility of the country experts.

The country experts were:

– Mrs Sophie Molinghen, sociologist, deputy advisor to the Belgian Federal Ministry of Social Affairs, Public Health and the Environment;

– Mr Jean-Louis Vidana, Ministry of Employment and Solidarity, France ;
– Dr Ann Lavan, University College Dublin, Ireland ;
– Mrs Olivia Galea-Seychell, Research and Policy Development Executive, Malta ;
– Mrs Raita Karnite, Director of the Institute of Economics, Academy of Science, Latvia ;
– Mrs Marketa Vylitova, Researcher, Research Institute for Labour and Social Affairs, Czech Republic ;
– Professor Krassimira Sredkova, Faculty of Law, University of Sofia, Bulgaria ;
– Dr Matti Heikkilä, STAKES (National Research and Development Centre for Welfare and Health), Finland.

The structure of this synthesis report is as follows :

Chapter 1 examines the nature and scope of poverty in the individual western European countries and the transition countries. Here we also discuss the existing welfare state typologies and attempt to position the case countries along the main dimensions of their social protection policies. Mapping and describing the special approaches individual countries have adopted in addressing poverty and low income forms an essential component of this chapter, which ends with a short summary.

Chapter 2 focuses more specifically on poverty thresholds. The aim here is to discover whether, in official use and as a basis for setting minimum benefit levels, there is any coherent concept of income poverty and one or more operational poverty lines.

Chapter 3 explores the principal social benefits designed to prevent or alleviate poverty. The emphasis here is on the benefits, mainly means-tested, that compose the guaranteed minimum income (GMI) package in each country.

Chapter 4 sets out to compare the effectiveness and generosity of the minimum income systems in current use. The method used is a form of microsimulation, that is the functioning and outcomes of the various schemes are tested for selected model families and life situations.

The final chapter is a concluding summary, drawing together the major findings and observations presented.

As for the division of labour between the authors, Matti Heikkilä wrote the first two chapters, and Susan Kuivalainen the last two. The responsibility for all the interpretations, views and conclusions presented in this report rest with the authors, and do not necessarily reflect the views of the Council of Europe.

Chapter 1: General policy context

This chapter is structured as follows. First the level and nature of income poverty as well as a more comprehensive social exclusion are briefly outlined. The more "mature" welfare states of western Europe, those within the European Union region, are considered first, and then the transition economies referred to as the central and eastern European countries (CEEC). After this brief overview of the problem we shift our attention to the general policy approaches. Although all European Union countries have their own policies and ideas for handling poverty, we examine here the more general policy trends expressed in the most recent European Union policy documents. At this stage the issues of minimum income and basic functions of social assistance are also considered. In order to facilitate understanding of the ways different countries address the problem of poverty, the most recent and valid typologies of welfare state clustering are presented. Ample space is then devoted to describing the emerging social protection models adopted in the transition countries. This is an important area because the main social protection models that have evolved in these countries since the early 1990s also somewhat determine the options and priorities given to various socio-demographic risk groups.

Up to this point, countries are treated in clusters; the observations are presented on aggregate levels for the western European states – mostly European Union members – and those with a recent experience of political and economic transition. The data used are mainly secondary, drawn from the relatively abundant and recent literature available, especially relating to the CEE countries. The latter part of the chapter concentrates on the reports provided by the correspondents from the eight individual countries.

The issue of poverty and social exclusion

Level and nature of poverty in European Union and transition countries (CEEC)

According to the most recent (2001) report of Eurostat and the European Commission, around 17% of European Union citizens are living in income poverty. The poverty line definition used in this estimate is 60% of equivalised income of the national medians in 1996. The proportion of poor people is relatively high (over 20%) in Greece and Portugal, and low in Luxembourg, the Netherlands, Denmark, Austria and Sweden. In general, it appears that income poverty correlates strongly with overall income inequality, which across the European Union is found to be relatively high in the southern (Mediterranean) countries, and the United Kingdom and Ireland, and lowest in Austria and the Scandinavian countries.

It is important to note here that Eurostat has adjusted its former operational definition of 50% of the national median to 60%, which obviously leads to higher income poverty estimates. Another consequence of this change has been that within general "official" discourse the term poverty has gradually been replaced by "low income".

This poverty rate estimate of 17% means 61 million people. Demographically speaking three types of households tend to emerge with a higher than average risk of poverty – or "low income" if we prefer – in western Europe : single parents with dependent children (poverty rate 36%), women living alone (26%) and families with three or more dependent children (25%).

Poverty among children is 21%, which is also above the average. Child poverty estimates exceed those of the middle-aged in all European Union countries but Denmark. The poverty rate of 45% amongst children of single parent families is especially high. This means that one in nine of all children (poor and non-poor together) actually lives in a single-parent family, and that 23% of all poor children live in a single-parent household.

Poverty also hampers elderly people in certain regions of the European Union. The elderly have a relatively high risk in about half the member states. The highest risk is amongst the 65+ age group in Greece (33%) and Portugal (35%).

Unemployed persons form a clear risk group in terms of low income and poverty. In the European region on average 40% of the unemployed have incomes below 60% of the national median. This proportion exceeds 50% in the United Kingdom. In the United Kingdom and Ireland unemployed people are eight times more likely to have low income than the average.

The depth of income poverty has also been estimated. Measuring the discrepancy between the level of income of the poor and the poverty line – the "poverty gap" – provides more insight into the severity of income poverty. In 1996, persons under the poverty line defined as 60% of the median had an equivalised household income 30% below the weighted average poverty line.

In addition to the depth of poverty, its persistence is also important to know. In 1996 some 7% (25 million people) had been living for at least three consecutive years in a low-income household. This accounts for 42% of all those living in poverty in 1996. The rate of this type of persistent poverty varies from 3% in Denmark and the Netherlands to 10% in Greece and 12% in Portugal. Overall, long-term poverty is most common in all the Mediterranean countries.

Poverty tends naturally to be perceived as more severe if linked to other problems or failures of individual welfare. This understanding also corresponds to the current sociological definition of poverty as one aspect of a multi-dimensional deprivation. According to the ECHP data, people below the 60% of median poverty threshold face accumulated problems almost three times as often as the rest of the population. In concrete terms this means that one third of the poor experience disadvantage in more than one domain, compared to just 13% in the rest of the population. Among the poor population, the persistently poor (minimum three years in poverty) are even more exposed to multiple problems and disadvantage.

Finally, we can present the most recent income poverty rates in the European Union countries, our four case countries included. The following statistics are based on the official Eurostat figures for 1996, and on the recent Communication from the Commission regarding national actions plans (NAPs) of the member states submitted in 2001, for 1997.

Table 1: Relative poverty rates in the European Union countries in 1996 and 1997 (60% of median equivalised income; case countries in bold)

Country	1996	1997
EU-15	17	18
Belgium	17	15
Denmark	11	8
Germany	16	14
Greece	21	22
Spain	18	19
France	16	17
Ireland	18	20
Italy	19	19
Luxembourg	12	..
Netherlands	12	13
Austria	13	13
Portugal	22	23
Finland	8	9
Sweden	14	12
United Kingdom	19	22

Sources: For 1996 The Social Situation in the European Union, *Eurostat 2001, Annex 1; and for 1997 the Commission of the European Communities, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee, and the Committee of the Regions,* draft joint report on social inclusion.

Poverty in the CEECs [1]

In the transition economies income poverty is a rather new and remarkable phenomenon. This is because under socialism, poverty resulting from unemployment was virtually non-existent since socialist policies and institutions promoted full employment. Laws required all able-bodied persons to work and restricted the right of state-owned enterprises to dismiss workers. It was also in the economic interests of firms to engage in labour hoarding, and a number of incentives were offered to induce individuals to supply labour. Thus guaranteed living standards were provided through employment conditions. In addition to individual income, the socialist system placed emphasis on social income, that is citizens received access to social services and the provision of goods, including housing, at artificially low prices. So the key pillars of standard of living were obligation to work, subsidised consumption and low-cost services. Under socialism the role of social income was disproportionately large when compared to that of market economies. (UNDP 1998.)

Poverty in socialist economies, where it existed, was linked to low wages. Planners set wages low to encourage labour force participation by both men and women. The result was a concentration of households at relatively low income levels.

Since the transition process started around ten years ago the extent and nature of poverty have changed dramatically. Poverty in the transition economies has largely been caused by under-employment. Several trends in the transition process have contributed to these factors, the most important being price liberalisation, privatisation, the decentralisation of domestic and foreign trade and the adoption of new labour codes that allowed for the release of redundant and surplus workers and the reduction of subsidies to loss-making firms. Poverty and unemployment in the CEECs are thus closely linked.

However, poverty is not limited to those without work. In transition economies (as elsewhere) it occurs as a consequence of wage payments that are low in relation to the prices of basic goods and services. Again, there are several underlying processes and factors. As mentioned above, one of the socialist legacies was low wages, which meant that many households were concentrated near the poverty level. At the beginning of market liberalisation this section of the population found themselves disadvantaged when prices (and wages) began to be deregulated.

1. Here the main sources are the UNDP Report on Poverty in Transition, 1998, and Katherine Duffy : Opportunity and Risk : Trends of social exclusion in Europe, the HDSE Final Report, Council of Europe 1998.

Declining real wages have also contributed to poverty in the transition economies. To the extent that increases in wages have not matched inflation, the purchasing power of households has weakened and the risk of falling into poverty has thereby grown (UNDP 1998, 141).

Low-level incomes tend to be associated with those who are employed part-time or on unpaid leave.

As to the more exact statistics on poverty in the CEE countries, we first illustrate the rapid increase in poverty that took place in the early transition process throughout the central and eastern European region in the early 1990s (figures derived from UNDP 1998, statistical appendix).

Table 2: Development of income poverty during the early transition process in selected CEE countries

Country	Poverty headcount index	(% of population)
	Late 1980s	1993/1994
Czech Republic	0.0	1.0
Hungary	1.0	3.0
Poland	6.0	19.0
Slovakia	0.0	1.0
central Europe average	1.8	6.0
Bulgaria	2.0	33.0
Romania	6.0	39.0
eastern Europe average	3.0	34.5
Estonia	1.0	40.0
Latvia	1.0	25.0
Lithuania	1.0	46.0
baltic States average	1.0	37.0

The table confirms the fact, stated earlier, that income poverty during the socialist period was almost non-existent. Since then, and in the short-term, it has risen remarkably in some countries, but not in all. The greatest increase is seen in Poland, Bulgaria, Romania and all three Baltic states. It is likely, however, that these estimates have somewhat wide margins of error.

Obtaining a more consistent picture of the level of income poverty in the CEE countries is not an easy task because not only do situations change but sources of statistics also vary. The following poverty estimates were gathered from three main sources, the Luxembourg Income Database, the *European Union Consensus Report* (2000), and Milanovic (1998).

Table 3: Various estimates of income poverty rates in selected CEE countries in the 1990s

	LIS	Consensus	Milanovic
	50% of median	National poverty rate	
Czech Republic	2.3	3.9	
Bulgaria		26.1	14.6
Latvia		21.4	21.7
Hungary	10.1	14.0	4.0
Poland	11.6	14.0	19.9
Estonia		30.5	37.2
Lithuania		16.6	30.0
Romania		19.6	59

Sources: LIS, relative poverty rates for the total population. Reference years: HUN 94, CZE 92, POL 95; CONSENSUS 2000 CZE: 50% of mean income (96), BUL (96), LAT: 50% of mean income, HUN: 50% of mean income (96), POL: 50% of mean expenditure (96), LIT: 50% of mean expenditure (97), ROM (96); MILANOVIC, 1998. Percentage of people with income lower than four international dollars per capita per day: CZE (93), BUL (93), LAT (95), HUN (93), POL (93), EST (95), LIT (94), ROM (94).

General policy approach towards poverty and exclusion in the European Union

Here we briefly discuss three central issues. Firstly, we provide an overview of the western European social protection policy approach, or how the European Union camp addresses the issue of income inequality, poverty and social exclusion. Secondly, we concentrate on the problem of minimum income and social assistance. Thirdly, we focus somewhat more closely on various ways of clustering European welfare states into welfare regimes. All this is intended to form a general background for the examination of policy implementation in the five case countries.

Overall strategy driven by employment

Recent years have seen rising levels of concern expressed, both at European and national levels, about the increase of unemployment, economic poverty and social exclusion. At the same time certain macro-changes have forced increased constraints upon countries' abilities to fund their existing welfare systems (see Cousins 1997, 1). These trends have given rise to an ever more explicit discourse about "active" policies. Open demands for a more active quality of both labour markets and social protection policies imply that up till now large parts of existing programmes and schemes have in fact led to increased welfare (state) dependency.

The concept of active policies is widely used in European Union and OECD policy documents, as well as in those of national policies. The European Commission (1997) emphasised in its communication entitled *Modernising and Improving Social Protection in the European Union*, two principles for future reform work – making protection systems more employment friendly and viewing social protection as a productive factor within the general economy. It is fair to say that these aspirations are based on two quite familiar conceptions about welfare and the general economy. It is assumed that a generous welfare system on one hand encourages people to stay out of work, and on the other hand is a burden or even an obstacle to economic efficiency.

The most recent steps in the European Union's fight against social exclusion and poverty were taken by the Lisbon European Council in March 2000 and by the Nice Summit in 2000. In addition to emphasising "the most competitive economy", the new strategic goal for 2000-2010 highlighted greater social cohesion. The primary aim of the strategy was therefore to modernise the European social model, to invest in people and to combat social exclusion. The commitments of the Lisbon Council implied a new "open method of co-ordination" aimed at combining two tools: national action plans (NAPs) to combat poverty and social exclusion, and community programmes to encourage co-operation to combat exclusion. The Nice Council adopted "multidimensional objectives" in the fight against social exclusion – stressing among other things a demand that social protection systems be organised to "guarantee access to all the resources necessary to live with human dignity". The formal documents on Nice also mention some specific target groups seen to be most vulnerable, such as persons at risk of facing persistent poverty, children, and those living in areas marked by exclusion and deprivation. As mentioned above, the European Union also launched a specific action programme to promote co-operation between member states to combat social exclusion for 2002-2006, investing about €75 million.

The anti-poverty NAPs can be seen as parallel measures to the employment NAPs formulated by the member states over the years. The national anti-poverty NAPs cover a two-year period, and the first European report based on them should be adopted by the Laeken Council at the end of 2001. Although these action plans reflect the most recent policy objectives of individual countries, we have not been able to analyse these documents for the four European Union countries considered in this study.

One remarkable achievement of social benefits and the whole redistribution machinery (taxes included) is the poverty reducing impact. This can be assessed by comparing poverty rates before and after social transfers. According to Eurostat and the European Commission (2001) social benefits have reduced the proportion of poor people in all member states, but to very variable extents. The reduction, or the redistribution caused by the welfare state, has been smallest in Greece, Italy and Portugal (less than 20%), whereas in all other member states it has exceeded 25%. In Denmark it is about two thirds. Ireland and the United Kingdom have the highest pre-transfer poverty rates in the European Union and the inequalities have remained higher than the community average, even after transfers.[2]

The current social policy approach adopted by the European Union can be summarised in the form of a triangle which connects three policies: economic policy, employment policy and social policy. The aim is that all three policies are in maximal interaction so as to reinforce one another. The objectives in each sector would be competitiveness and dynamism (economy), full employment and high quality of work (employment) and better social cohesion and high social quality of life (social welfare). Thus in today's thinking social protection policy is firmly linked to employment and general worldwide competitiveness.

In more pragmatic terms one can conclude that a remarkable political consensus seems to prevail that various measures are needed in order to evolve the old, passive, income-support oriented, dependency-creating policy into an active, enabling, capacity-building and work-incentive based policy. There is naturally much rhetoric in this new policy approach, as many authors have remarked (see Cousins 1997, Chapter 4; Geldof 1999), while much less systematic analysis exists relating to the means and forms of different "new activation measures" and their effects. It has been assumed that the relatively favourable developments in the labour markets and in general national economies during the late 1960s and 1970s gave rise to demands for social rights and also shaped the existing welfare systems in a more passive, generous and also less punitive direction. Hence the recent increase in demands for active policies can be seen against the background of the shifting global economy and economic doctrines.

It is also a view among some authors that even though "social activation" as a means of reintegration is basically a positive thing, it can imply several

2. Comparisons of the numbers of people on low incomes have been made before and after social benefits other than pensions, ie pensions are included before and after.

risks : disciplining people, contracting with people on an unequal basis and individualising reasons for unemployment, etc. (see Geldof 1999). It may also be that the new policy reinforces a trend towards the low-pay labour market and marginal work. Furthermore, in many activation schemes the interest of society in supporting the client declines immediately after the client´s first placement, despite the fact that such activity is only a short-term solution.

Guaranteed minimum income as a means to prevent poverty

In an international context there are two key aims for social assistance : firstly the prevention of extreme material deprivation and secondly the maintenance of integration by preventing social exclusion and marginalisation.

With regard to the first function, the prevention of extreme hardship among those with no other resources, almost all European Union countries (the only exception being Greece) now appear to have some scheme which seeks to achieve this objective. A major problem remains, of course, in attempting to define, in operational terms, what constitutes the minimum level to be guaranteed (see Veit-Wilson 1998). Such measures vary within as well as between countries. In some contexts budget surveys or other "cost of living measures" are used. There are several technical issues with the definition and measurement of poverty or inequality, and with the refinement of equivalence scales to account for households (benefit units) of different size and composition. Being able to focus resources on specific categories, and then to monitor and evaluate the effectiveness with which resources can be transferred as well as the outcomes for recipients, are key challenges for policy-makers and researchers alike.

The second function of any minimum income arrangement is to prevent social marginalisation and exclusion. Over the past decade there has been substantial rhetoric and some substantive commitment in this direction (Ditch 1999). Eardley *et al*. (1996) observed in their study of twenty-four countries that integration into society is an explicit aim of social assistance schemes in most cases. Although the two basic functions – poverty alleviation and prevention of exclusion – are logically compatible, economic poverty often precedes exclusion (Kuivalainen, 2000). Historically, in the United Kingdom poverty prevention or relief of hardship has wielded more weight than the promotion of integration. As Ditch (1999*a*) puts it, in the minimum income policy higher priority has been given to alleviation of absolute poverty than to mitigation of relative poverty or of exclusion as such.

The second function – promotion of social integration – can be viewed in two ways, positive and negative. Measures can be taken which actively encourage and facilitate individual growth, development and social integration (linked to notions of social cohesion, solidarity and stability) or, on the other hand, they can be used to minimise the disincentives to paid employment, to independence and individual (or familial) responsibility. Policy-makers pursuing "growth" place emphasis on education and training, social services and community work. Those wishing to avoid disincentive effects, on the other hand, focus on conditions of eligibility, the interaction of social assistance rates with earnings levels and opportunities (and costs) associated with moving to either part-time or full-time work (Ditch, op.cit.).

Finally, overlaying almost all schemes in all countries and irrespective of policy objectives, has been an international concern to contain or restrain total expenditure on social assistance to a level which can be financed without risking the consensus required for the funding of social protection schemes. There is clear evidence that policy change is being driven by expenditure constraint.

On the welfare (state) regimes

When discussing welfare state clustering and existing typologies the basic infrastructure of the welfare policy in a given country should first be considered, followed by a more narrow focus on policies designed for the marginals not covered by the main system. More pragmatically this indicates that two questions need to be explored initially. Firstly, which of the three main sources of welfare provision (the state/public, the market, or the networks and family/civil society) are seen as the most central element ? Secondly, does the chosen social policy model place priority on income maintenance or poverty prevention ? Here, the first option refers to the employment-based (Bismarckian) system, whereas the latter refers to the citizenship-based (Beveridgean) model. Using these differentiations, the space and role of minimum income policies can be defined.

Modern understanding of social policy relates to three basic elements of action. Social policy strives to be an outcome of collective political action aimed at reshaping the distribution of resources that results from market forces, and its fundamental objective is to decrease the market dependency of people. The two classic typologies are modelled on Bismarck and Beveridge, and these models are still basically relevant for understanding the social policy choices in western as well as in eastern Europe.

In the Bismarckian (German) model the objective is income maintenance, and thus the central benefits are earnings related. Eligibility for benefits is mainly based on employment and contribution records. This heavily employment-linked model can be seen as dominant in most western European welfare states, and it also exerts a clear influence in European Union policy. Thus in the European Union the majority of systems are contributions based, although there has never been a pure system of either type. As will later be shown more explicitly, the Bismarckian model has also been adopted in most of the CEE countries. The most severe limitation of this model from the point of view of modern poverty is that while its coverage includes employees and their families, it extends only more marginally to those outside the labour market.

In the Beveridgean type of social policy the basic objective of action is prevention of poverty, and consequently benefits tend to be more flat rate. The eligibility criterion is residence or need, and the coverage extends to the entire population, even those outside employment. It is fair to say that the United Kingdom is a typical example of this model, while the Scandinavian welfare states form a mix of Beveridgean and Bismarckian model types.

The most powerful contribution to the welfare state or regime discussion has been provided by Esping-Andersen (1990 and 1999)[3]. His central idea has been that as individual states differ in their political ideologies, politics is *de facto* the most important explanatory factor in relation to the variety of welfare arrangements. He further claims that on the basis of three central political ideologies one can perceive three regimes – liberal, conservative

3. The welfare models developed by Esping-Andersen are largely based on comparisons concerning first-resort social security. In fact, the indicators used to classify the different countries in particular clusters are based on two of the three main pillars of the welfare state : social insurance and health care, more specifically on old age and unemployment treatments and health care. The third pillar – social assistance – has often been seen as residual. But there are also welfare state classifications derived from last-resort benefits structures, the essential objective of which has been to look for similar ways to provide a minimum income for citizens.

   The first classification of countries based on minimum income arrangements and schemes was developed by Lødemel and Schulte (1992). The key criteria for this classification were the structure of minimum income, the division of tasks and responsibilities between the central state and local municipalities in providing benefits, and the role of social work in the process and the degree of means-testing. The other well-known classification or clustering of countries based on social assistance was presented by Eardley et al. (1996*a*) in their major work on twenty-four OECD member countries. The indicators used in this comparative analysis were five in number - coverage, organisation, level, means-testing (in which part of the income can be disregarded) and discretion.

and social democratic, and that the key factors or variables involved in constructing the three regimes were, respectively, de-commodification, stratification and employment. Decommodification is closely linked to social rights. It means the degree to which social security enables people to maintain their (previous) standard of living independent of market forces, or the amount to which the welfare sate can diminish or reduce market dependency. Esping-Andersen later supplemented these key factors with a fourth : de-familisation. He also regards this as an important consideration since it refers to the liberalisation of the family from care work, either through the state (interventions) or through the market.

Esping-Andersen's current model can be presented as follows :

Regime	**Liberal**	**Social democratic**	**Conservative**
role of : family market state	 marginal central marginal	 marginal marginal central	 central marginal subsidiary
welfare state ; dominant mode of solidarity	individual	kinship corporatism universal	statism
dominant locus of solidarity	market	state	family
degree of de- commodification	minimal	maximal	high (for the breadwinner)
modal examples	US, UK	Sweden	Germany
case countries	Ireland Malta	Finland	Belgium France

In the European context, the Nordic cluster of countries fits rather well into the social-democratic regime, while the German-speaking countries represent the conservative (or corporate, northern statist) type. Britain and Ireland belong basically to the liberal model. The location of the Benelux countries is more problematic, although the conservative emphasis is evident. The most controversial issue is the position of the southern European countries. The Mediterranean welfare states have much in common with Esping-Andersen's conservative regime characterisation (central role of the family and subsidiary role of the state). Quite often these countries have been clustered into their own welfare regime, sometimes called the "southern European model", sometimes the "Latin rim model". In the past the southern European countries have accorded greater primacy to family and civil organisations such as the church, and the state has been less active. Nevertheless, in recent years they have been extending the state role in social protection, in particular the minimum income guarantee (the Portuguese example).

With regard to the CEE countries we have already concluded that the fundamental choice made so far has concerned the role of the state (both in funding and in provision of benefits and welfare) and the link to the labour market, with the outcome being a Bismarckian type of welfare state.

In the Esping-Andersen typology we can claim, with minor reservations, that most of the CEE countries tend to represent a mix of liberal and conservative regimes relatively distant from the social democratic model.

Social protection systems in the CEECs

As stated earlier, employment has been central to social protection systems in central and eastern Europe both before and after 1989. Prior to 1989 they were funded by employer contributions to the state budget. This type of system was fairly comprehensive but offered little choice and often limited quality and availability. Security was bought at the expense of low incentive and opportunity (Duffy 1998, p. 76).

Full employment and consumer subsidies, the two basic pillars of the universal communist welfare state, were explicitly abandoned after 1989. Since then most central and eastern European social protection systems have developed along the lines of the Bismarckian (German) insurance model, incorporating employee contributions. Why did they choose this model ? The answer given by Duffy (1998, p. 77) stresses contribution-based financing as the essential explanation, a choice clearly signalling that social protection is not free. Although this model offers better income replacements for traditional full-time employees with a long work history, for the least advantaged it involves risks, since mainly employment-based systems render those with weak or no labour market attachment vulnerable. However, in Duffy's view the most obvious change since the transition is that the state's responsibility has shifted from a concept of maximum allowable income to a minimum income that prevents absolute poverty.

One weakness of social protection systems in the CEE countries is that the gap between rights and their implementation, often due to a lack of available resources, does not allow full execution of legal obligations. Claims concerning rights to benefits can be brought to the law courts, but neither constitutional nor ordinary statutory rights can guarantee sufficient resources for the disadvantaged if they are simply not there (Duffy 1998, p. 81). Because even social assistance budgets (usually local) are fixed, and thus not related to real needs, funds can be exhausted.

From the perspective of both “old” and “new” risks of sliding into poverty and exclusion, systems based on contributions and insurance protection embody risks as well as weaknesses. While they offer rather effective protection against established risks like old age, death of the provider, disability, sickness and maternity, the “new” emerging risks are different. These new needs stem from frail old age, loss of employability, insecure work, family break-up and social exclusion. Duffy (1998, p. 85) suggests that the problems of social protection coverage created by these new risks are greater in insurance-based systems where the coverage is linked to individual employment history. Many of the new risks arise as a result of weak connection to the labour market (ibid., p. 85).

But some risks of poverty can even be identified in the social protection of those active in the labour market. Despite the presence of a minimum wage in most European countries – both west and east – a low real value of the statutory minimum wage may mean that even being employed is not a firm guarantee against poverty. The idea of a minimum wage is to protect against low pay, but the reality is often different. As exemplified by Duffy (ibid., p. 86), in the second half of 1997 the minimum wage in Estonia was worth 43%, in Latvia 30% and in Lithuania 21% of the respective average salary, which was itself rather low. Other pitfalls within insurance-based systems can be low real values and short duration of benefits.

The last-resort safety net against economic poverty, in the CEE countries too, is means-tested social assistance. The essential outcome of several recent analyses (UNDP 1998 and Duffy 1998) is that means-tested benefits do not appear to play a very important role in welfare policies in the CEEs. The UNDP report highlights three factors affecting this. Firstly, lack of governmental experience with such programmes and schemes means that initial efforts require large administrative structures. Secondly, incomes in cash and in kind are diverse and fluctuate considerably from month to month. Many of these are informal and difficult to track. And thirdly, public sentiment often runs against means-tested benefits. (UNDP 1998, p. 101.)

Duffy (1998, 92) refers to the recent past when showing that a western type of social assistance was non-existent prior to transition. The combination of obligation to work, subsidised consumption and low-cost services fostered the assumption that only socially deviant individuals were in need.

In fact, social assistance remains marginal, representing barely 1% of GDP, and has been estimated to reach less than half of the poorest. Rigorous income testing also means that social assistance is not a "gap fill" guarantee.

Interesting findings on the targeting, coverage and effectiveness of social assistance have emerged from several World Bank studies[4].

Table 4: Coverage, targeting efficiency and effectiveness of social assistance (SA) in selected CEE countries

Indicator	Poland 1997	Hungary 1997	Bulgaria 1997	Romania 1997	Estonia 1993-95	Latvia 1997-98
Income poverty rate (national poverty line) Coverage:	10	12.5	36	31	3 (?)	15
% of households	..	..	13	..	3	..
% of poor households	9	19	17	17	10	2
Proportion of recipients of SA who are not poor	45	73	..	..	65	77
Proportion of the poor who do not receive SA	91	81	83	83	90	98
Share of total SA expenditures to the bottom 10% (low income)	56	20	..	..	35	15
SA as share of the total expenditures of recipients	5	13	15	7	15	20

The table reveals several problems and malfunctions in social assistance schemes, especially in terms of the targeting of these scarce resources. It seems that only a small minority of those living in poverty or on low income do in fact receive social assistance; it simply does not reach the great majority of the poor.

4. These figures were presented by Dr M. Murthi of the World Bank in February 2001, at Leuven, Belgium.

Hence the real coverage of these schemes is very small. Moreover, benefits seem to reach the "wrong pockets", that is more than half of recipients are not classified as poor at all. And even when the real poor do receive some cash assistance, its relative impact on the household economy seems to be insufficient or marginal.

The following is a summary of recent developments in social policy in CEE countries with special emphasis on the anti-poverty effects, along with the conclusions concerning marginalisation of social protection in the Duffy Report (pp. 94-98).

- Transition countries share the European (European Union) trend towards making the labour market central to defining living standards for all. Those outside the labour market are therefore particularly vulnerable.
- Marginalisation through "tiering" takes place. People are being tiered to various social protection locations depending on their labour market history and position, type and cause of disability, etc.
- Social risks have been individualised.
- Social exclusion will increase for two reasons – restricted entitlement and lack of resources for implementing the schemes.
- Because countries tend to minimise the scope of indexing benefits to average wages or prices, the link between minimum and normal consumption will weaken.
- Low real value of benefits lessens their capacity to reduce poverty.
- Social assistance schemes suffer from poor targeting and lack of funding. Built-in conditions also create compulsory labour market dependency by linking eligibility to work in a western European fashion.

Poverty and strategies to tackle poverty in the case countries

In this section we move country-wise, and address the following rather broad questions:

- Is economic poverty or wider social exclusion being considered as a problem, politically or otherwise, in a given country?

– What kind of notion of poverty, or poverty concept, has been adopted in the official policy discourse ?

– How is poverty being addressed more specifically in the general policy programmes as well as in the social policy concept ?

And finally :

– Why has the country (government) chosen the anti-poverty strategy it is implementing ?

The case countries are again clustered into two broad categories – the western welfare state cluster and the transition (CEE) country cluster – and the reports deal with one country at a time. Because this report is of its nature a synthesis, the country descriptions tend to be rather short and superficial. All the facts and figures presented are based on the national reports, which are also available *per se* as working papers. The country-specific sections in the general part of this chapter will be noted to provide more updated information – figures and trends – regarding the poverty situation as well as policy processes. Thus the first part of the chapter offers a broader and more general perspective, while the case reports provide more in-depth analysis and information to enrich the understanding of what is happening in poverty and in anti-poverty policies in western and eastern Europe.

Finland

In the present sample of welfare states, Finland represents the social democratic Scandinavian model. The normative foundations of this welfare regime can be described as follows : universal social rights ; public sector responsibility for people's well-being ; endeavours to achieve equality between the sexes as well as between regions and in terms of income distribution ; goals of full employment and high labour market participation.

The severe macro-economic recession faced by Finland in the first half of the 1990s represented a sort of turning point in political sensitivity to the issues of poverty, social exclusion and income distribution. The Finnish economy was hit by the most serious crisis since national independence. Until 1990, the Finnish GNP had increased annually by an average of 2 to 5%. Thereafter, the decline was dramatic ; over the next four years the cumulative decline in GNP was 13%, a unique phenomenon among industrialised western countries. Growth was re-established in 1994, followed by annual increases in GNP between 4 and 6%.

Despite this, the country weathered the recession at remarkably modest social cost. Looking at the social consequences of the dramatic events of the early 1990s the two most essential observations appear to be : i. the dependence of citizens on the welfare state, which increased enormously in the short term, and ii. relative income poverty did not increase and the general distribution of income remained surprisingly even. To sum up, we can argue that the welfare state performed its ultimate function of preventing a mass of the population from sliding into poverty and misery.

We can summarise the recent trends in material poverty, income distribution and broader social exclusion as follows : i. income poverty, using 50% of median household income as the poverty line, has increased slightly since 1994 and in 1999 reached the level of 3.6% (9.0% when using 60% of median). This is not raising any political concern ; ii. income differentials have clearly increased since 1995. This is a clear signal of growing inequality in the society and has caused political concern ; iii. the proportion of the total population that is, and has been, dependent on means-tested social assistance grew enormously in the mid-1990s, up to 12% (1996), but has since declined somewhat ; iv. a persistent and remarkably prevalent form of social exclusion is long-term unemployment. This is a political concern ; v. there are other forms of social disadvantage that are more or less specific to Finland among the case countries. One of these is over-indebtedness of households, which is seen as a political concern. In terms of the political response it is fair to say that poverty and social exclusion have not constituted a serious political issue in Finland in recent decades. Nevertheless, we should add some reservations here. The most urgent task of the early 1990s was to save the country's general economy and then to stabilise positive macro-economic developments, above all by achieving solid economic growth (GNP) and reducing the public debt. Having succeeded in these tasks, the current cabinet is presently focused on various forms of social exclusion, primarily unemployment. The manifestations of the political commitment to tackle poverty and social exclusion are now to be seen in the cabinet programme of Prime Minister Lipponen's second government (from 1999 on).

This marks the first time, [5] however, that a Finnish government has had a distinct anti-poverty or anti-exclusion programme. This is largely explained by reference to the basic essence of the Scandinavian welfare model *per se*, that the ultimate goal of all public social policy is to eliminate economic poverty and inequality. Another explanation is that there is no consensus as to the necessity of such undertakings ; the problems are not perceived to be sufficiently severe. A final and perhaps more pertinent reason is the structure of welfare policy. The model is broad and institutional, and there are few discretionary elements present. Neither has it been customary to target actions at a specific group ; the problem-centred approach is missing. In a country or system such as this it would be hard to imagine a programme-based social policy.

The approach of the current cabinet programme regarding the issue of social exclusion could be called mainstreaming or decentralising. It reflects traditional thinking, according to which general economic policies, employment policy and effective social security remain capable of preventing poverty from becoming a national problem or concern. The "official line" is that reduction of unemployment and increased employment are the best measures to prevent poverty and exclusion.

5. The European Union Summit in Nice in December 2000 approved the new national action plan model for the domain of poverty policy, too. The Scandinavian governments were thus obliged to prepare NAPs for this area by mid-2001 for the first time ever.

There are basically (at least) two separate, and, from the point of view of economics, totally different, strategies to combat poverty. The first, which can be called a benefit- driven strategy, aims at reducing income poverty by developing the coverage of the benefit-based safety net as well as by increasing the compensation levels of benefits. Technically speaking the objective might be to fix the level of the lowest safety net just above the poverty threshold and ensure that the majority of the population is covered by this net. Although this is not what the Nordic welfare states have advocated, they are *de facto* quite close to this type of ideal situation. The obvious demerits of this type of anti-poverty strategy are that it is extremely expensive and probably also creates severe disincentives to work. It is hence known as the "passive strategy". The second strategy can be referred to as an employment-driven strategy, which simply assumes that "work is the best social security" and definitely the best way to prevent exclusion. Employment participation also qualifies people for better (earnings-related) social benefits. This is the strategy strongly advocated and developed by both the European Union and the OECD.

In the Finnish case it can be seen at once that the strategy adopted by the current government is employment driven. Because income poverty is mostly linked to (long-term) unemployment, the central aspirations of the government are to develop and increase integrated approaches by the welfare and employment authorities.

As mentioned above, Finland's benefit strategy is more implicit than explicit. It is accompanied by the assumption of welfare or benefit entrapments, or at least the existence of lack of real work incentives due to high replacement ratios of minimum income schemes and 100% income disregard effects.

Belgium

In Belgium the incidence of material poverty or more multidimensional social exclusion is not extensive – rather the contrary. The social protection system ensures, at least in theory, that no one should have to face intolerable living conditions. For a small minority, however, reality falls far short of theory, and this defect of the system is naturally a matter of concern to the authorities. Belgium sees poverty as a major, but not insurmountable, problem and one that has less to with budgets than with adapting legislation to meet the needs of a target group not yet fully identified. Why and how do some members of the public slip through the net of social protection ? Who are these individuals ? Where are the gaps in the system and how can they be filled ? These are the questions that Belgium's anti-poverty policy seeks to address.

A fairly sophisticated structure has been developed to formulate and implement this anti-poverty policy. The key elements of this structure are the Interministerial Conference on Social Integration, the Minister responsible for social integration (chair of the conference), a task-force composed of a special Poverty Unit, the Service for Combating Poverty along with the minister's collaborators formulating the measures, a General Report on Poverty (as a tool and source of ideas) and, for the implementation of measures, local Public Centres for Social Aid (CPAS).

The Poverty Unit, established in 1995, comprises two experts. Its main task is to assist the minister responsible for social integration. The unit thus operates as part of a task force with the key job of developing new measures for preventing – or reducing the incidence of – social exclusion. As a rule, this is a six-phase process:

- identifying problems by listening to the demands of a target group, determining priorities, consulting with experts and collecting information; seeking potential solutions, analysing their feasibility and impact and estimating their cost;
- translating favoured solutions into practical proposals and submitting these to experts and to the relevant administrative departments; reworking the proposals and submitting them to the interministerial conference;
- monitoring the proposed measures through the administrative and legislative process and reporting regularly on their progress; informing the target group about the new provisions affecting them.

The Service for Combating Poverty tables proposals from associations representing the poor, who meet as a forum under its auspices. The Union of Belgian Municipalities and Local Authorities puts forward proposals based on the experiences of CPAS staff; and the ministerial office and department table proposals drawn from the government agreement, the General Report on Poverty and various other sources.

The task force formulates a draft agenda for the interministerial conference. Once the draft has the minister's approval, it is submitted to the other ministerial offices concerned. The proposals that go forward are gradually translated into specific projects which ultimately come before the interministerial conference for approval. Finally, the Poverty Unit includes the new measures in its progress report, which goes to the relevant associations as a matter of priority.

How then is the issue of poverty involved and documented in the government programme? Under the Federal Government Agreement concluded on 14 July 1999, the government undertook to make Belgium a pro-active welfare state, and specifically "to make the integration into the labour market of persons on the subsistence minimum the government's first priority in combating poverty, and to continue developing the existing instruments for helping persons on the subsistence minimum to find employment, notably by increasing the state's contribution to job creation".

Poverty and exclusion are seen in Belgium as inextricably linked. The two problems are thus tackled jointly, although there is a practical distinction between, on the one hand, preventing financial poverty – through structural measures concerned with levels of earnings and income substitution benefits as well as access to housing, health care, education, public transport, etc. – and, on the other, combating exclusion. The latter process demands different solutions.

The Belgian authorities focus on what is sometimes termed "the Fourth World", the people fated to be poor, who are both materially disadvantaged and socially excluded. The government's decision to concentrate its efforts here reflects the fact that this is the group from which the authors of the General Report on Poverty – its basic policy tool – were drawn. It is a group with an accumulation of problems, so the idea is that measures designed for it will also be automatically applicable either to victims of poverty who are not excluded or to victims of exclusion who are not poor.

There is no real official definition of poverty, and it is still a somewhat woolly concept. Research is continuing to determine what types of indicators other than income poverty lines might be useful. Some kind of consensus is supposed to be achieved about the basic inclusion indicators by the end of Belgium's presidency of the European Union in December 2001.

Belgium's structural response to the problem of poverty is based on the principle of entitlement to a minimum subsistence level of resources, generally known as the Minimex. This sum represents both the threshold below which it is accepted that people cannot live in accordance with human dignity, and the value of welfare benefits. Originally, in 1974, the main criterion for fixing the subsistence minimum was the minimum wage rather than the cost of living.

It is, of course, important that the gap between the level of benefits and the minimum wage should be wide enough to avoid creating a "poverty trap", that is tempting recipients to stay on benefits instead of seeking work.

As already mentioned above, the anti-poverty policy is based on findings and recommendations drawn from the target group itself. There is thus an understanding that relevant NGOs will be integrated into the policy wherever possible, depending on the nature of proposed measures.

Until recently the principal strategy for combating poverty was based almost exclusively on transfers, especially the awarding of benefits. When it was then recognised that many people receiving benefits were, in fact, employable, the national unemployment office was split in two. One section is the actual unemployment service (responsible for paying benefits and monitoring payments), while the other comprises the regional employment services, whose task it is to advise job-seekers, help them find work, collate employers' lists of vacancies and steer the unemployed towards training. It is thus possible to offer a more personalised, less bureaucratic form of support.

There is increasing debate about "activating the subsistence minimum", instead of individuals simply being allocated the benefit, it is used to support them in employment and training. Under the ambitious "Springtime Programme", adopted this year by the Minister responsible for social integration, a five-year target has been set for reducing by one third the number of people financially dependent on the CPAS. It is also worth noting that since 2002 the "Minimex/Bestaansminimum" – policy will be reoriented towards more activation, based on the notion of right to work.

France

The French welfare state was conceived in the post-1945 period along the lines of the Bismarck or "continental" model, that is based on employees' contributions deducted from source. It gradually evolved towards a mixed system combining contributions and solidarity.

Created with full employment in mind, the system rests on two pillars : the worker and his family, or rather the salaried worker, holder of "basic rights", and his "beneficiaries", his wife and children who hold "subordinate rights". The expansion of salaried work, secure and full-time, was supposed to provide protection for the whole population from a wide variety of social dangers, such as accidents at work, illness, death and old age.

In the 1970s various social minimum benefits were introduced or adapted to help those people who were not supported satisfactorily, or at all, by social insurance schemes or family benefits: the elderly (basic old-age pension), single parents (Single Parent's Allowance, "API"), the disabled (Disabled Adult's Allowance, "AAH") and the long-term unemployed (via a Special Solidarity Allowance "ASS"). In addition, the proportion of tax-derived funding of social welfare increased.

The aim of the specific minima was initially to compensate for the shortcomings of the system. An attempt was being made to fill the gaps in social welfare for the elderly, for people with disabilities, and for the unemployed not entitled to unemployment benefits.

Medium-term policies (notably urban regeneration) and the specific minima were unable to solve all exclusion situations, particularly the most urgent ones. Labour market changes brought into question the foundation on which the system was based namely full-time, long-term employment: one third of the active population, including the unemployed, no longer corresponded to this norm. In autumn 1984 the government was forced to adopt an emergency plan targeted at poverty and social insecurity, and during 1984-1985 distributed over one billion francs to charity organisations and associations.

This action, taken as a matter of urgency together with the simultaneous, well-publicised emergence of new energies of charitable organisations and of solidarity with the poor – *Restaurants du Coeur, ATD-Quart Monde, Emmaüs* – shows the value of mobilising the community at large alongside more traditional organisations.

The introduction of the *Revenu minimum d'insertion* (RMI) in 1988 as an unconditional financial allowance, complementary to existing measures and available to anyone with inadequate income aged 25 years or more and accompanied by social integration measures, provided an initial response to this multidimensional exclusion as part of the gradual formulation of a new policy for combating poverty. By 1992, when the RMI law was being re-assessed, it was clear that this scheme had to be supplemented and improved.

Despite the broadly positive outcomes and successes of the RMI, the 1988 law suffered from several drawbacks. Integration remained a gamble to a large extent, and there were other problems and failures, too.

The RMI was firstly amended in 1992 in four main areas: the right to health – by a reform of medical assistance; return to work – by a simplification of the rules governing incentives; the setting up of a fund to provide assistance to young people under 25 in difficulty; and the framing of the first policy to combat exclusion co-ordinated by a national council for policies on combating poverty and exclusion (CNLE).

A new bill was finally enacted in July 1998. As a result, France now has a framework law for developing a comprehensive policy for combating exclusion. This legislation is based on a multidimensional view of exclusion and is based on four principles:

- Exclusion arises because of an inability to access the same fundamental rights that other members of the population have. To avoid life in the margins of society, everyone should have access to the same rights. This does not involve creating separate rights, reserved for the most disadvantaged, but adapting common rights and developing follow-up and accompanying actions to implement them effectively.

- The second principle is not to wait for the problems associated with exclusion to manifest themselves, but to act in advance through targeted intervention when there is a risk of a significant deterioration of living conditions (loss of housing, excessive debt, a break in family ties, etc).
- Thirdly, it appears that despite the preventative measures put in place and the rights that were reaffirmed, cases of social deprivation, often critical, continue to occur. In these cases it is vital to carry out swift action that respects the dignity of those involved.
- Finally, efficient action in the fight against exclusion implies efficient co-ordination amongst the many actors in terms of gathering information and being up to date on forms of exclusion, allowing all of society to become involved in the fight against exclusion by directly consulting the excluded people regarding programs that concern them.

With this in mind, the law of 30 July 1998 provided reinforced measures to reintegrate the most deprived people back into professional and working life and offer access to health care. Furthermore it offered access to, or the preservation of, housing, culture, leisure and sport ; a bank account and help with excessive debt ; measures in the fight against illiteracy and the training of social workers. At the same time, the law of 1998 established a National Observatory to monitor, gather information on, and further knowledge of poverty and social exclusion in all its forms. The National Council on Poverty and Social Exclusion Policy (CNLE) was enlarged to better involve all actors concerned with the development of policies and the organisation of actions. This body was created in 1992 to bring together representatives from different ministries, the parliament, local authorities and groups involved in the fight against social exclusion. Local level commissions to handle urgent social action (Casu) were established to better co-ordinate the institutions which help the most disadvantaged, to better detect incidences of deprivation and to put in place concrete actions such as single-form applications or directories of available support.

An evaluation of the law of 29 July 1998 shows a system that remains too complex and administered by a multitude of authorities whose powers sometimes overlap.

To sum up the evolution of French policy in the area of poverty, we can observe that the means to fight exclusion have gradually been shaped by successive legislation in response to the rising number of problems involving financial insecurity and poverty in French society. Initial assessments of the law of 29 July 1998 on combating exclusion highlight the progress that has been made, notably in terms of access to employment and to health care, but also show the paucity of information and communication on the legislative and regulatory provisions, the measures in place and the actions that have been carried out. The assessments also underline the need to tackle the deep social causes of exclusion (illiteracy, geographical and ethnic discrimination, psychological problems or behavioural difficulties that are on the brink of psychiatric concern, difficulties with reintegrating young people who have been in institutional care and those who have been in receipt of RMI benefits for more than three years). Furthermore, the measures introduced have had a limited impact on certain sections of the population (those furthest from obtaining a job).

Ireland

Ireland, like Belgium and France, operates a dedicated anti-poverty programme including clearly defined operational targets, appropriate administrative structures and a specific poverty-proofing procedure to assess the possible poverty impacts of any government policy measures. It thus seems that the Irish Government is seriously committed to reducing poverty in society.

The national priorities for poverty and social exclusion in Ireland were laid down in the National Anti-Poverty Strategy launched by the government in 1997. This ten-year strategy was formulated by a high-level Inter-Departmental Policy Committee (IDPC), following wide-ranging consultation with the social partners. Broad targets were set in a number of key thematic areas.

Ireland was the first European Union country to formally adopt an official global poverty target. Initially, the global target of the National Anti-Poverty Strategy was as follows : “Over the period 1997-2007, the National Anti-Poverty Strategy will aim at considerably reducing the numbers of those who are “consistently poor” from 9-15% of the population to less than 5-10%, as measured by the Economic and Social Research Institute (ESRI)” (National Anti-Poverty Strategy, 1997 : 13) Consistent poverty is defined as being below 50%-60% of average household income and experiencing enforced basic deprivation, where deprivation is measured as lack of resources. Basic deprivation is the presence of at least one of a list of eight indicators.

The value of this approach lies in the notion that income alone may not be a reliable measure of exclusion arising from lack of resources. The combination of income and deprivation allows the impact of resource depletion and life experiences to become inherent in the measurement of poverty. This measure retains the “relative” concept of poverty, as basic deprivation indicators are likely to change over time as living standards in the community rise.

The most recent poverty data available relate to the 1998 Living in Ireland Survey, the Irish element of the European Community Household Panel, analysed by the ESRI, which shows that the number of people experiencing consistent poverty fell to 6-8% by 1998. In light of such progress, the Irish Government announced a new poverty target in 1999, to reduce consistent poverty to below 5% by 2004.

While the National Anti-Poverty Strategy examines poverty in this global context, it also set targets under key themes that are supported by particular policy responses. The original National Anti-Poverty Strategy themes were unemployment, income adequacy, educational disadvantage, urban disadvantage and rural poverty.

In 1999 the government asked the IDPC to draw up new targets to reflect the changed social and economic environment in Ireland. This process took place in the context of negotiations with the social partners on a new three-year national partnership agreement, the Programme for Prosperity and Fairness (PPF), which was ratified in 2001. The PPF provides an opportunity to develop approaches to important strategic issues being considered in the social inclusion area. It is proposed in this agreement that the National Anti-Poverty Strategy be updated, the underlying methodology reviewed, and the existing targets reviewed and revised where appropriate. In particular, new targets will be considered under the themes of child poverty, women's poverty, health, older people and housing.

There is a set of structures in place – both at the political and administrative levels – to ensure that the issue of social inclusion is central to policy formulation and implementation. At the political level, a Cabinet Committee on Social Inclusion has been established, chaired by the *Taoiseach* (Prime Minister). Several inter-departmental links have been established. A dedicated National Anti-Poverty Strategy unit, based in the Department of Social, Community and Family Affairs, acts as the co-ordinating body and secretariat for the NAPS. Its main role is to support the high-level Inter-Departmental Policy Committee and co-ordinate anti-poverty initiatives across departments.

The National Economic and Social Forum (NESF) has responsibility for monitoring the social inclusion element of partnership agreements and has been asked to report on the progress of implementing the National Anti-Poverty Strategy.

The Combat Poverty Agency constitutes another key element of the monitoring arrangements. It is currently overseeing an evaluation of the National Anti-Poverty Strategy process, including consideration of the views and experiences of the voluntary and community sector, and has recently produced an initial assessment.

As a lever for change, poverty proofing of government policy provides a further mechanism to assist in reducing any adverse impact of policy on the poor. Poverty proofing aims to provide policy-makers with a system whereby policies are examined, particularly at design stage, to assess their potential impact on those in poverty, with particular emphasis on groups identified as being at a high risk of poverty.

An independent review of the poverty-proofing process is to be conducted by the National Economic and Social Council (Nesc). The Nesc is a key high-level medium-term policy review forum. In addition, the review will examine the potential for integrating poverty proofing with other proofing mechanisms (equality proofing, rural proofing, eco-proofing) to avoid bureaucratic overload.

Malta

Malta is a small island state that belongs culturally to the Mediterranean and southern European family of countries. When it comes to structures of social protection, however, the British influence is more obvious.

It is hard to say anything very precise about the rate or level of income poverty in Malta because there is no fixed national poverty line in use, and scientific studies on poverty are quite rare (see however Tabone 1994, 1995 and 1999). Indirectly, however, one can conclude that it is not an extensive or severe social problem, nor amongst the biggest concerns.

This impression gains more support when we look at the ways the political and public debates address poverty. It seems that the issue in the political debate tends to surface particularly around the notion of providing social benefits to people who are actually in need. Suspicions about fraud often join the agenda at this point. The political debate also circles around exclusion, mostly focusing on persons with disabilities.

The general shape of Malta's welfare state is largely based on the Anglo-Saxon model, as an influence of past British rule. Nevertheless, while not typically Mediterranean, its centralised administration resembles those in most Mediterranean countries.

The Ministry for Social Policy identified its mission for 2000 by stating that its role is "to actively promote, and contribute to the ongoing development of an inclusive society through the provision of quality personalised services and, by actively encouraging and assisting individuals, families and community associations to participate in fighting social exclusion, ensuring equal opportunities for all, with specific emphasis on the most vulnerable members of society". Combating economic poverty is the primary aim of the Department of Social Security.

The Ministry for Social Policy also encompasses social welfare, which is considered to involve measures of social inclusion as well as indirect means to counteract economic deprivation.

One important cornerstone in poverty prevention is free education. All Maltese citizens are provided with free schooling from 3 years up to tertiary education.

Health service provision is also free for Maltese citizens. In addition, free medication is available upon presentation of a doctor's prescription along with a card issued by the Department of Social Security. These yellow or pink cards [6] entitle the person to free medication as prescribed by their practitioner or specialist.

Regarding the structure and composition of the social protection system, the existing legislation provides two basic schemes – a contributory scheme and a non-contributory scheme. The non-contributory scheme is administered on the basis of means-testing. The concept underlying the contributory and particularly the non-contributory scheme is economic deprivation (poverty) possibly faced by a person in certain life situations.

Combating poverty is mostly an exercise in social transfers. However, to eliminate social exclusion the focus is on services for eradicating social deprivation.

Poverty can also be tackled by securing a minimum wage level for the employee. The Industrial and Employment Relations Department ensures that the minimum wage level set by the government is provided to employees.

In Malta, combating poverty is related to social transfers, but policies and practices that provide for different kinds of social welfare services are also used to eliminate social exclusion. Although not currently prevalent in Malta, labour market policies were adopted in the 1970s and 1980s to attract foreign investments and create employment.

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6. The pink card is issued by the Department of Social Security on the basis of capital and income tests.

Latvia

Latvia is characterised by several specific features. It is a small country in the process of transforming its economy from closed and planned to open and market driven, from overall guaranteed equality in incomes and living standards to incomes dependent on contributions and individual entrepreneurship.

Poverty in the sense of low income was the first manifestation of the reforms of the early 1990s, and the initial surprise was followed by shock at the developments. Although this attracted the attention of analysts, they focused on general social development issues rather than on poverty assessments.

Latvia is facing sharp and deepening polarisation of society. In 1998 the average per capita consumption of the top 20% of the population was 5.7 times higher than that of the bottom quintile. According to household budget survey data the 20% of poorest households had just 9.2% of the total disposable income of all households. The average income level per household has been growing year by year, as have average monthly wages and salaries (gross and net). With a 2.6% increase in the consumer price index in 2000, the average purchasing power of the population increased by 4.2%.

Despite these trends income levels remain very low, and household self-assessments indicate that Latvian people feel poor rather than prosperous. According to public opinion polls on household finances in the first quarter of 2000, 63% of households could hardly make both ends meet, 6% of respondents had begun using their savings, and 13% had run into debt, while only 13% claimed they had enough money to live.

Income levels in Latvia are among the lowest in Europe. Average gross monthly wages and salaries are also the lowest among the Baltic States, while the price level is the highest. Thus poverty is doubtless a problem in Latvia, though it has its own character. The country is developing from a situation where although everyone was almost equally well off, almost everyone was also poor. However, despite the low material provision, phenomena such as illiteracy, down-and-outs or starvation were absent.

The transformation to a market economy and price liberalisation differentiated people into those who adjusted to the new situation and those unable to adjust. Allegorically speaking, poverty in Latvia had two faces: the "poor" poor and the "rich" poor.

Social policy in the early 1990s dealt more with general issues, and not with poverty as a problem *per se*. The main objective of social policy at the start of the transformation period was to reform or abolish the expansive social schemes inherited from the soviet system.

In the mid-1990s, inspired by the United Nations Copenhagen meeting, the Latvian Government started to speak more definitively about reducing poverty. After several years of discussion, the reduction of poverty was established as a new area for action in the Social Report 2000. Before that, in 1998-99, the Ministry of Welfare financed several research projects to identify the face and depth of poverty. Based on the results, an inter-ministerial working group was set up to work out concepts and define goals for combating poverty, as well as its causes and risk factors, and to forecast development trends.

The notion of "poverty" also appears in government declarations, though only in a very formal way. The penultimate (June 1999) and last (April-May, 2000) declarations of the Cabinet of Ministers envisage the need "to assess poverty and to include measures focused on elimination of poverty in regional plans". Both declarations promise to develop social security systems unchanged, but neither indicates any substantial steps in fighting poverty. In addition, the Latvian Government has worked with UNDP, the International Labour Organisation and the World Bank to formulate a strategy for combating poverty in the country.

The concept of poverty has been discussed in Latvia since the mid-1990s. Poverty in general is defined as a situation where a person lacks a minimum acceptable level of resources, while absolute poverty occurs where there is lack of the minimum necessary resources for survival, irrespective of the general standard of living of the society in which the person lives. Relative poverty is seen as situation where the individual lacks the resources to maintain the minimum standard of living of the society in which he/she lives, even if this is above the physical minimum needed for survival (all definitions from *Social Protection*, 1998).

Although economic poverty is the main political concern, it is nowadays common to use broader definitions that emphasise the exclusionary aspect and multidimensionality.

So how is the Latvian Government approaching poverty in its policies and strategies ? There are three groups of policy measures that differ in terms of scope and targets.

The first group of measures is a broad-ranging macro-economic reform programme that seeks to guide Latvia's economy towards a track of rapid growth. In this area of action the influence of the World Bank is important. For example, the priority action areas of the Latvian Government as stated at the World Bank Board meeting in April 1998 (and still valid) were strengthening of the macro-economic and financial sector ; accelerating development of the private sector ; reshaping the role of the state ; promoting sub-national government capacity to cope with environmentally sustainable regional development and local government reform ; and strengthening the financing and delivery of social services.

The second group of measures deals with income policy. The main functions of income policy in Latvia are to create prerequisites for the formation of a stable middle class, to improve the labour remuneration system in the public sector, to ensure implementation of the minimum wage requirements in the private sector, to eliminate the gap between the minimum wage and minimum living standard, and to eliminate wage discrimination against women.

The third group of measures relates to social security policy. This comprises three sectors : labour policy, social protection (including social insurance and social assistance) and health policy.

Thus a reasonable conclusion is that in Latvia anti-poverty policy focuses on general improvement of the welfare level of the population rather than on explicit measures against poverty.

The remaining question is why the problem of poverty has been approached in the manner described above. There is a clear view held in Latvia that combating poverty should be developed in two, equally relevant directions: elimination of causes of poverty, and elimination of poverty as a consequence of failures in the first direction. Therefore, Latvian strategy is a combination of active policies aimed at improving the individual's capacity to solve his/her own problems, and social security measures (social insurance and social assistance) to assist these who cannot help themselves. However, as Latvia's financial resources to implement a proper social policy are limited, social assistance benefits, for example, are more or less symbolic.

The government is passing responsibility for social and health care provision onto local governments and to the people themselves (for example by expanding social insurance systems and paid social services). The responsible ministry, as well as trade unions, are resisting this tendency, but with little success.

The Czech Republic

In the Czech Republic, there is basic political consensus about the importance of the social dimension of the transition process. It is fair to say, however, that although economic transition was the first priority on the agenda, it was not followed by any clear social policy strategy. Politically speaking the eight right-wing parties emphasised the need to increase individual responsibility, whereas the left wing pointed to the social risks of inflation and unemployment. The Christian Democrats tried to mix market principles with social solidarity.

During the first period of transition the Czech welfare model was more or less clearly linked to the Bismarckian model, where the insurance system plays the major role. This stage was also characterised by an inclination to accept elements of corporatism. After the elections of 1992, a more comprehensive notion of reforming social protection was introduced. Liberal principles were essential in this development (for example attempts to get the system to correspond to the needs of the market economy, and to stimulate individuals to assume greater responsibility for their own social situation and achieve social independence with a view to reducing their reliance on state benefits).

The current stage of reforms started in 1997, when the Social Democrats became a strong opposition in parliament, and expanded when they entered government the following year.

Regarding the nature of income poverty, it is fair to say that the transformation of Czech society during the 1990s brought flexibility and differentiation to the status and living standards of citizens and their households. People now have the chance of upward mobility in terms of property and incomes, but must also be able to cope with the risk of rapid descent. These phenomena carry a risk of new poverty and social exclusion. During the 1990s, when the old and collapsing socio-economic structures intermingled with the still unstable new structures, established demographic poverty and new market poverty existed side by side. The most obvious risk factors or determinants of poverty were unemployment, belonging to a large household and health problems. At the end of the 1990s, unemployment began to emerge as the factor with the greatest impact on the extent and depth of poverty

The Czech social protection system embodies various structures that operate to form a (minimum) safety net providing income protection for those who unwillingly find themselves in poverty and for whom there are no other sufficient social protection devices. The central mechanisms for tackling poverty are the minimum wage (MW) and the subsistence minimum (SM).

The official subsistence minimum is the focus of the system. It represents the lowest level of household income and expenditure that is recognised as sufficient to cover the sum of possessions and services necessary to satisfy basic needs. As expenditure on articles of long-term consumption is excluded, the subsistence minimum only provides temporary protection from material need. If income insufficiency is not eliminated within roughly 12 to 18 months, other social protection devices must be used.

In the Czech Republic (and formerly in the Czechoslovak Federal Republic) the level and mechanisms of the minimum wage were first stipulated in February 1991. Because the systems to determine the levels of the minimum wage and the subsistence minimum are separate, a perverse situation can be created from the point of view of work incentives, and this tends to be the case for certain household types. The existing relationship between the subsistence minimum and wage levels acts as a disincentive to work. Among the below-average wage recipients (approximately 60% of employees) there is a tendency, varying in intensity, to social parasitism, that is giving up gainful activity and living on welfare.

The existing Czech social protection system is based on the three elementary tiers of social insurance, state social subsidy and social assistance. From our point of view the latter two are of special importance.

The system of state social support comprises various benefits and contributions by which the state complements its social policy in those areas and situations it sees as essential, based on social consensus. Child allowances and one-off childbirth payments represent typical family benefits. State social support (subsidy) benefits are mandatory, paid from the state budget and funded by taxes.

The complementary system of social assistance has been under reform since the first half of the 1990s, although a new law has yet to be passed. Recently, various individual situations of need have been covered by a social care scheme that follows principles of "extraordinary" assistance to persons in emergencies. The state acts in situations of sudden need along with charitable and other non-state institutions. General principles concerning the granting of social care (assistance) benefits are defined by the Social Needs Act. Social care represents a system designed to protect citizens whose income is below the minimum subsistence level and whose personal situations are complicated by further social handicaps. In certain circumstances social care benefits can also be made available to citizens with an income exceeding the statutory subsistence minimum amount.

Benefits under the social assistance scheme are partially mandatory, granted by legal provisions and funded basically from the state budget. Some of these benefits are discretionary, however.

Regarding the total efficiency of the state social support scheme there is some evidence that the state social subsidy has caused a remarkable decline of low-income households (below SM before transfers) dependent on social assistance benefits.

The scope in expenditure on social care benefits (social assistance scheme) as well as on the state social support system is rather small in relation to the overall Czech GDP. The whole of social and health care (transfers and services) represents some 22% of GNP (of which health care 8% and social security 14%), whereas the share of all social care benefits (social assistance scheme) is only about 1% and that of the state social support benefits about 1.8% (in 1999). This confirms the contention in the general part of the context chapter that the relative size and meaning of social assistance type benefits is close to rudimentary in most CEE countries.

Bulgaria

Besides being probably the poorest country in our sample of European welfare states, Bulgaria has had the slowest transition from socialism to market environment and the least modernisation of social protection structures. Moreover, it provides a good example of how words (plans and programmes) and deeds often remain far apart.

Privatisation has been rather slow in Bulgaria, and is predominately in the area of trade and services; the pace in the industrial sector has been much more gradual. A prolonged period of political instability delayed the restructuring of the legal system and harmed the process of attracting foreign investments. In addition, the reforms in agriculture severely disrupted this sector. As a result of these and other factors, GDP and production in the main branches of industry declined to unprecedented low levels for peacetime.

The transition period introduced Bulgarian society for the first time to unwelcome phenomena such as unemployment, drug addiction, high crime rates, etc. Poverty became one of the worst consequences of the transition. Over the period 1990-1997 the disposable income of the population and the overall production rate dropped by more than 27%, while poverty increased – in 1998 more than 36% of all Bulgarians, as compared to 5% in 1992, lived below the poverty line (measured on the basis of the minimum income as a precondition for social assistance). According to a 1999 survey by the Agency for Social Studies, 44.5% of people over 18 years of age believed they were worse off than before 1989; 36% estimated themselves as poorer, and 36% as poor; 96.8% considered poverty the country's most serious problem. However, the worsening financial situation in Bulgaria, together with an adverse demographic trend, has meant not only that the number of persons protected by public welfare has decreased, but that the real level of their protection has also declined.

Recent reforms and improvements undertaken in Bulgaria have involved normative key themes and features, including stressing work incentives and active labour market measures, less liberal eligibility criteria in various social benefits and strengthening the link between benefits paid out and contributions paid in.

So what is the Bulgarian state's strategy for combating poverty? There are several national plans and normative programmes in which alleviation of poverty is directly or indirectly mentioned. Two of the most wide-ranging programmes are the National Social Development Plan and the Government Programme for 1997-2000. Both have clear references to poverty reduction as a normative objective. Potentially far more significant in a narrower framework is the Bulgarian anti-poverty action plan for 2000-2005, formulated in 2000. The problem, however, is that because of fiscal constraints this plan is still languishing as a draft, that is without political adoption.

There are basically two notions of poverty in the public and academic discourse: absolute poverty and the concept of human poverty which covers several types of deprivation, the material form included. So far the latter concept has had very few if any practical implications.

The development of poverty measurement and the construction of various poverty lines is relatively well developed, and here one can observe the gap between analysis and policy-making. One key concept is Guaranteed Minimum Income (GMI), which adopts a two-step method of calculating the minimum consumer baskets – one for food necessities and the other for non-food essentials. It is thus based on two minimum consumer basket calculations, one called "the social minimum consumer basket" and the other "the subsistence minimum consumer basket". The problem is that these baskets are only used for analytical purposes and they do not form the basis for calculations of protected minimum income.

The Basic Minimum Income was introduced in 1992 for social assistance purposes and then later transformed into the GMI. This reflects the absolute poverty line tradition. In fact the GMI forms the basis for social assistance calculations and is indexed. The amount of this minimum income is now (2001) about 60% of the minimum wage and thus very low. The GMI is an estimation measure and an outcome of the consensus reached between the government and the social partners; it also reflects the available financial resources of the country.

It is also important to note that the rate of the Guaranteed Minimum Income is considerably lower than the subsistence minimum level.

The main factors affecting poverty in Bulgaria include i. a generally low level of labour income; ii. unemployment; iii. low level of pensions; iv. poor targeting of scarce benefits to those in most need; v. low access by the poor to medical services and vi. problems in the education system.

Nevertheless, the targets of the draft National Anti-Poverty Plan are ambitious and quantified. The goals specified are different for alleviating absolute poverty and human poverty.

The specific target for alleviating absolute poverty is reduction of the share of the population in poverty from 22.7% to less than 12% by 2005.

For human poverty the specific targets for 2005 are to reduce:

- the percentage of the population not expected to reach the age of 60 from 18% to 15%;
- rates of secondary school drop-outs from 37.9% to 25%;
- unemployment rate from 15.7% to less than 10%, and the share of long-term unemployed from 8.6% to 6%.

In conclusion, it can be said that the current strategy for combating poverty in Bulgaria is a mixed one – it combines both labour market measures and social transfers. But for the time being social transfers predominate.

Concluding remarks on the anti-poverty strategies in the case countries

The key findings and observations concerning the anti-poverty strategies described in the eight individual case country reports are summarised in the following table.

Table 5 : Selected indicators of anti-poverty policies in the case countries

	Welfare state model	Labour market link	Social assistance as a right	Actual level of poverty	Is poverty a matter of remarkable political concern ?	Any specific anti-poverty programmes ?	Any distinct administration or processes ?
Finland	Social democratic ; insurance and flat-rate	medium, full coverage of those outside labour market	strong	very low	not income poverty but long-term unemployment	no (except the NAPS/incl)	no
Belgium	Bismarckian, Conservative	strong	strong	below EU average	yes, to some degree	yes	yes
France	Bismarckian, Conservative	strong	rather strong	below EU average	yes, exclusion	specific framework-legislation	partially yes
Ireland	Beveridgean, Liberal	strong	medium	above EU average	yes	yes	yes
Malta	Anglo-Saxo, Liberal	strong	strong	..	no	no	no
Latvia	Bismarckian	strong	rudimentary	high	not first on the agenda	no	no
Czech Republic	Bismarckian	strong	rudimentary	medium	not the highest priority	no	no
Bulgaria	Bismarckian	strong	rudimentary	high	not the highest priority	yes, but awaiting political adoption	yes

In the western group of countries poverty is seen as a remarkable social and political problem, except in Finland, Belgium and Malta. However, Belgium is an intermediate case, having developed rather sophisticated administrative structures to monitor and address financial poverty and more multidimensional exclusion. In Finland, the main focus of political concern is long-term unemployment and the risk of social exclusion attached to it.

Amongst the case countries France, Ireland and Bulgaria (somewhat also Belgium) have a distinct anti-poverty programme, strategy or plan. For fiscal reasons, however, Bulgaria's anti-poverty action plan remains without political adoption. In addition to this all European Union member states have prepared national action plans (NAPS) to combat poverty and social exclusion based on the Nice Council resolution. During the summer of 2001 these "Inclusion NAPS" were collated and analysed by the European Commission with the aim of drawing up a European synthesis document for adoption by the Laeken summit at the end of the year. These plans are not analysed here.

Belgium and Ireland, and to some degree France, have developed specific and sophisticated administrative and procedural structures to monitor and address poverty. Most developed are those in Ireland, where a special "poverty-proofing" procedure is in use.

The general poverty situation is worse among the eastern group of countries, and probably worst of all in Bulgaria. Moreover, in the policy arena a common feature of all CEE countries appears to be the remarkable gap between words or plans and action. In other words, a great deal of rhetoric and predominantly academic effort have been devoted to calculating and defining various subsistence levels and minimum baskets, in the absence of any (or clear) policy implications in terms of setting actual minimum standards in social protection systems.

In their overall social policy design, all the CEE countries have chosen the Bismarckian alternative, or employment-driven, contribution-based, insurance-type social protection, where those outside the labour market remain most vulnerable in terms of income poverty risk.

Finally, we can also conclude that the emphases on work incentives and linking welfare to work are central in both the European Union and CEE countries. This can be seen as a logical consequence of the achievement-based welfare model, but it is interesting to note that this theme has also emerged in the Scandinavian social-democratic type countries, which have adopted a more universalistic welfare model.

CHAPTER 2: EXISTENCE AND USE OF POVERTY THRESHOLDS

This chapter begins with a brief discussion of the setting of operational poverty lines and the four main alternatives for defining these thresholds for policy and research purposes. We then move to examine the existence and use of various poverty thresholds in the eight case countries. Here we also focus on the minimum wages in use. Finally we summarise the findings and provide some more general conclusions.

Setting operational thresholds

The adoption, definition or setting of an operational poverty threshold or line can have several implications, interpretations and even consequences. Firstly, official adoption of a poverty threshold by a government exposes it to external and more objective review in terms of the general state of affairs and the success (or otherwise) of policies. It is thus a reference point for both internal and external evaluation. Secondly, if and when set poverty thresholds are made accessible to people in general as well as to experts and civil servants, it creates a new option for citizens to reflect on and relate to their own situations. Other implications of defining poverty threshold are, thirdly, to enable more scientifically based estimations of the extent and incidence of income poverty and, fourthly, to provide a point of reference when setting minimum income levels.

More technically speaking, there are basically at least four main options for setting poverty thresholds : 1) Political or administrative poverty lines are by their nature normative, and often guide benefit policies, for example. 2) The basic needs-driven poverty threshold that tends to be close to the absolute definition of poverty is still a very common approach. It would be wrong, however, to assume that this way of deriving poverty thresholds from food basket and basic necessity calculations is somewhat old fashioned. On the contrary, much effort by the World Bank, UNDP, and more recently by Eurostat for example, has gone into developing and applying measures and lines of this type. 3) The most widely used poverty thresholds represent the relative income method and are based on the current distribution of income in the country concerned. Being relative by nature, this method measures the social gaps and distances within the population and is linked to the inequality of income. 4) The final option for defining a poverty threshold is to equalise it to a guaranteed (statutory) minimum income when that exists in the country concerned.

A general observation is that the western European case countries are more oriented toward relative measures to define poverty thresholds, whereas the CEE countries favour more normative and administrative definitions. This is understandable in the sense that the latter approach tends to provide more moderate poverty estimates. Another interesting observation is that amongst the European Union member states in our sample only Ireland has officially adopted a poverty threshold which has subsequently played an important role in setting policy objectives. The question of an "official" poverty line is more academic in nature, however, because membership of the European Union forces countries into comparisons with others where several more or less official relative definitions developed by Eurostat are used. Thus the former 50%, and more recently 60%, of equalised household medium income has gained at least semi-official status. Another recent change in the European Union poverty definitions concerns the equivalence scale to be used. From 2001 onwards the Eurostat calculations are based on the OECD "modified scale", which tends to increase the risk of small households and decrease that of families with children. The European Commission is also working with the inclusion indicators to reach a consensus on the measurement of multidimensional poverty and exclusion. Here, the contribution of the Atkinson expert group (2001) has special value.

The CEE approach to developing and setting the various administrative thresholds often mentioned in legislation is also linked to efforts to calculate basic-needs driven levels like subsistence minima. Bulgaria offers a good example of this. Various minimum consumer baskets, for food as well as non-food essentials, are calculated in order to construct a social minimum consumer basket and a subsistence minimum consumer basket. The problem again, as stated in the previous chapter, is that these definitions often have very little practical – that is policy – implications. In our CEE case countries the existing definitions of actual guaranteed minimum income levels of the safety net are no more than indirectly linked to these academic exercises.

The multidimensional notion of poverty has gained more academic support than the purely income-based variant. This implies that in its modern sense poverty is seen as a form of deprivation when the household disposable income is low and individuals are consequently obliged to withdraw from a normal or minimally acceptable decent way of life in a given society. In more practical terms, poverty should be considered as a combination of low income along with its routine daily impact on such things as housing, food and clothing, in other words as causing problems in making ends meet due to lack of material resources. Only Ireland has adopted more advanced notions of poverty such as this. For statistical purposes Eurostat is also moving in this direction, although its efforts are highly conditioned by the availability of proper comparative data (currently ECHP 1996 wave). This effort is closely linked to the efforts of Sir Tony Atkinson's working group mentioned above.

There are statutory or otherwise guaranteed minimum wages in most European countries. The minimum wage policy seems to be particularly important for the CEE countries, although as was stated in the preceding chapter the low real value of minimum wages may mean that even being employed is not a firm guarantee against poverty and low pay.

Existence and use of various poverty thresholds in the eight case countries

Although Finland has no official poverty line, the social assistance norm level reflects the lowest level of income guaranteed by law for all citizens. The amount of the basic norm of social assistance is linked to the living costs index, and the real value of this benefit, together with other GMI benefits (housing allowance, etc.) slightly exceeds the 50% of median income poverty line. In response to growing European Union influence, Finland is also using the 60% of median equivalent household income as threshold. The 50% relative poverty line for a single adult is €563, the respective poverty rate being 4% of households. The administrative, social assistance-based threshold for a single adult is €580, giving an estimated poverty rate of 5%.

Belgium resembles Finland in having no officially defined poverty line, although it supports efforts to reach a consensus for a pan-European poverty threshold definition. Both administration and academic research quite commonly use 60% of the median, giving an 18% poverty rate estimate, but 40% and 50% of the median are used, too. Belgian social assistance, known as Minimex (subsistence minimum), adopts the administrative line. In 2000 the Minimex amount for a single adult was €539 per month.

France employs four distinct indicators for measuring poverty – the relative poverty line, the multidimensional approach and two different administrative lines. The relative line, based on 50% of median income, gives a poverty rate of 7.3-7.9% of the population (1996 figures). The multiple deprivation indicator linking living condition hardships to low income gives various estimates depending on the number and kinds of welfare problems examined. The first administrative poverty line, which is based on the minimum pension or disabled allowance level, is €549 for a single adult per month (in 2000). The second line used for administrative purposes is linked to other social minima fixed by law. The French correspondent quite correctly identifies several serious flaws here, especially in terms of the relative income measures, which can be seen as indicators of relative inequality of income rather than of poverty *per se*. It is also difficult to measure the income of households and individuals perfectly. Special problem groups in this respect include persons living permanently in institutions and those without permanent housing/residence. The correspondent also remarks that there are no reliable indicators of precariousness, that is uncertain, vulnerable or risky life situations – to say nothing of measurements of social exclusion.

As explained in the previous chapter, Ireland´s Anti-Poverty Programme has set both an official definition of poverty (and thus the poverty threshold) as well as quantitative targets for anti-poverty policy. Poverty is seen as a situation where the disposable income is below 50% or 60% of median, and where persons are facing at least two enforced basic deprivations out of eight listed. The Irish NAPS 1997 also provides a sophisticated verbal definition of modern poverty in the "Townsendian spirit". Using this double criterion the incidence of poverty in 1997 was 9-15% (50/60% of median). Of the relative income measures in use, 50% and 60% are the most common, and 40% less so. The 50% of median measure gives a poverty threshold of roughly €400 per month for a single adult, and the 60% of median about €480.

Minimum welfare payments for a single adult are approximately €344 per month. In 2001 the maximum social welfare allowance (SWA) for a single person was €385 per month. It is thus easy to conclude that the minimum safety net *per se* is not able to raise people much above the relative poverty line.

The SWA is determined by parliament and is linked to the consumer price index. There is no basic needs-driven poverty threshold in Ireland.

The minimum wage in Ireland is €5.60 per hour (€896 per month). The actual level of guaranteed minimum income is thus about 43% of the minimum wage.

Malta employs an administrative poverty threshold and a (guaranteed) minimum wage. The administrative poverty line is benchmarked at the minimum wage, which is in turn related (indirectly) to basic needs. A basic needs-driven poverty threshold is under discussion.

Malta also, as yet, lacks an officially accepted poverty threshold. However, the Department of Social Security applies a threshold of €8 306 per annum, or €692 per month, for a single person to receive supplementary allowance. This is routinely used in Maltese calculations as a substitute for a national poverty line. The existing GMI for a single person is €404 per month, 58% of the *de facto* poverty line.

The minimum wage in Malta is €6 396 per annum, or €533 per month. The administrative poverty line (a substitute) is then about 130% of the minimum wage, which may well imply that employment at the lowest wage levels does not liberate people from poverty (as administratively defined).

The Latvian country report stated that poverty assessment is not a popular approach in that country. Although several poverty thresholds are in fact defined for certain purposes, it can be seen that the actual minimum income levels guaranteed by the state are quite remote from these. Various thresholds in existence are as follows (sources mentioned when possible) :

– A poverty line recommended by the World Bank is €51 per person per month. This gives a 19.4% poverty rate. The comment of the Latvian correspondent is that this threshold is too low to live on.

– The Welfare Law of 1995 defines €48 per capita per month as the eligibility criterion for social assistance.

– There is also a notion of a "destitute (low-income) family" which combines many criteria, including that income per household member is less that 75% of the "crisis subsistence minimum" for at least three successive months ; this notion is used for targeting certain benefits, etc.

– The "crisis subsistence minimum", as defined by the Cabinet of Ministers, is €70.

– The "crisis minimum consumer basket for goods and services" is calculated to be €90 (in 1998).

– The "complete minimum consumer basket of goods and services" is €156 per month. This can be seen as the actual basic-needs driven poverty threshold (correspondent´s comment).

– The “guaranteed minimum income for poor people” approved in 2000 is about €38.

– And finally, the minimum wage (in 2001) is €110 per month.

The guaranteed minimum income for poor people is thus about 34% of the minimum wage.

In the Czech Republic the administrative poverty threshold is the subsistence minimum (SM), which is determined by government and adjusted according to changes in the consumer price index. The SM for the essential personal needs of a single adult is €62.60 per month, and €45.10 for necessary household expenses, a total of about €108 per month. Entitlements and levels of social (care) assistance and state social support are derived from the SM. The gross minimum wage in the Czech Republic in 2001 is €142.90 per month.

Bulgaria has developed an interesting and rather complex structure of diverse thresholds and minima, as outlined in Chapter 1. One form of administrative poverty line is known as the Guaranteed Minimum Income (GMI),[7] and it also determines entitlement to social assistance. It is calculated using a consumer basket method which determines the subsistence minimum. The GMI is considerably lower than the subsistence minimum.

The GMI (here the administrative poverty line) is €20 for a single adult in 2001.Then comes into effect a complicated consumer unit coefficient system (equivalence scale) giving various weights for household members depending on age, health status, number of family members and absence of close relatives. The existing gross minimum wage (average) is €40.51 per month. The GMI is differentiated into three levels.

One general observation regarding the CEE countries is worthwhile before more comparisons are explored. It seems that all three CEE case countries have made some administrative (and research) effort to calculate and determine various thresholds, often referred to as subsistence minima or minimum consumer baskets, for example. These definitions generally arise from a kind of basic-needs approach, and they are often used in a highly non-transparent manner to fix the actual eligibility criteria (income) for existing minimum benefits. The actual rates of these benefits are much lower, however, and the logical linkages between the former (calculations) and the latter (benefits) are far from clear.

7. This term here is slightly misleading and deviates from its common usage (authors’ note).

Summary and some conclusions

We can sum up the issue of poverty thresholds in the eight case countries in the form of a simplified comparative table.

Table 6: Poverty thresholds, incidence of poverty and minimum wage in selected countries (monetary values in € per month)

	Finland	Belgium	France	Ireland	Malta	Latvia	Czech Rep.	Bulgaria
relative p.l. - mode - rate for a single adult - poverty rate	yes 50% €563 4%	yes 60% … 18%	yes 50% … 7.3-7.9%	yes 50/60% €400/480 9 / 15%	no	no	no	no
multiple deprivation threshold	no	no	yes	yes, low income and at least two basic deprivations	no	no	no	no
adminis-trative poverty threshold(s) – type – for a single adult	yes SA norm €580	yes Minimex €539	yes, several minima €549	yes SWA €385	yes p.l. €692 GMI €404	yes seven different variants	yes subsistence minimum €108	yes, several subsistence minimum GMI
minimum wage – amount	no	yes €1117	yes	yes €896	yes €533	yes €110	yes €142	yes €40

Some concluding observations can be made based on this general comparison.

Thresholds that are derived from the distribution of income, that is using the relative income method, are the main rule in western European countries, whereas this type of definition is almost totally missing in the CEE case countries. The only country where the notion of multiple deprivation has been officially incorporated into policy use is Ireland.

All countries adopt some kind of normative or administrative poverty threshold. The main difference here between the western (specially the European Union countries) and CEE countries is that the former more or less directly equalise the social assistance norm to this type of threshold whereas the CEE countries tend to use various subsistence minima definitions – often calculated by scientific methods – that form only one basis for determining a guaranteed minimum income.

Finally, it is important to note that although there is remarkable variation in the actual rates of poverty thresholds, social minima and minimum wages as expressed in euros, there are also remarkable differences in costs of living. The only way to improve comparability in this sense is to use purchasing power parities, which will be done in Chapter 4.

Chapter 3: social benefits for combating poverty

Alleviation of poverty has been one of the major aims of modern welfare states (Ringen 1987). Although welfare states differ in terms of institutional design and policies, this objective is, in principle, embraced by all of them. It has been argued that the least responsibility of the state is to relieve distress among the neediest members of society, in other words to have a minimal welfare state (Goodin 1988). On this basis, providing help for the poor should be a common denominator for welfare states.

There are three broad approaches to coverage providing cash benefits under income-maintenance programmes : employment-related, universal, and means-tested systems. Employment-related, mainly contribution-based social insurance is a merit-based system compensating for loss of income due to specified risk, such as sickness or old age. In contrast, universal and means-tested systems are non-contributory based. Means-tested programmes establish eligibility for benefits by measuring individual or family resources against a standard based on subsistence needs, thereby granting benefits only to claimants who are deemed incapable of taking care of themselves. Finally, universal programmes provide flat-rate benefits to residents or citizens and thereby guarantee support for specific groups. The provision of non-contributory schemes is neither connected to previous employment nor dependent on contributions.

While all types of social benefit prevent poverty to the extent that they ensure financial support for the recipients, non-contributory and means-tested social benefits are more specifically designed to combat poverty. As discussed in Chapter 1, guaranteed minimum income schemes have prevention of poverty as their primary function. These schemes are explicitly designed to alleviate poverty and are ultimately responsible for guaranteeing an adequate standard of living.

This chapter sets out to examine the kinds of social benefit in our eight case countries that are explicitly designed to combat poverty. The format is somewhat descriptive. The main purpose is to give an overview of the schemes and outline the differences and similarities between countries : What do they have in common, and which features distinguish them from each other ?

We begin with the descriptions of the various non-contributory, means-tested benefits available in the eight countries. Non-contributory benefits are classified into general, categorical and tied benefits/associated rights (see Eardley *et al.*, 1996*a*; Capucha 1999) in order to obtain an overview of the current benefit scheme in each country. After describing the current benefit scheme and its structure and operating principles, we move on to a closer analysis of social assistance benefit. The following aspects are examined:

- eligibility criteria;
- individual or household-based rights / entitlement;
- public/ family kinship;
- existence of any work obligation;
- main funding principles.

These aspects are addressed mainly in relation to general benefits, as this is our main interest. For further information on categorical benefits readers are asked to turn to the individual country reports, where the various benefits are described in more detail. It should be mentioned that as this is by nature a synthesis report, the descriptions tend to be rather short. As in other chapters the countries are dealt with on a case-by-case basis and clustered into two broad categories – the western welfare state cluster and the transition country (CEE) cluster. The distinction is shortened to the western and eastern countries.

Knowledge based on previous studies

Social assistance is a key tool in combating poverty, and as the modern heir of historical poor relief, social assistance guarantees a minimum income to people in need. There was increasing interest in social assistance schemes in the 1990s, but most of the intellectual work undertaken has concentrated on the western countries, with only a few studies of the schemes in eastern Europe. Here we present the main findings of these studies.

Social assistance is commonly understood to mean benefits which aim to provide a minimum standard of living to those without sufficient resources. (For more on defining social assistance, see Eardley *et al.* 1996a ; Lødemel 1997.) Social assistance has several distinguishing features. Firstly, benefits of this type are a last resort. In principle, benefits are supplementary to other social security benefits, and also to other income. Social assistance comes into play only when other means have been exhausted and sufficient income is lacking (Eardley *et al.* 1996a ; Guibentif and Bouget 1997). Secondly, means-testing is typical to social assistance. Means-testing is concerned with providing resources to people who would otherwise fall below a certain, often officially defined minimum standard of living. This minimum standard will often reflect a political judgment rather than a scientific assessment (see Veit-Wilson 1998). Another characteristic of minimum guaranteed income benefits is that they are tax-financed and non-contributory (Ditch 1999*b*; Eardley *et al.*, 1996*a*). The aims of social assistance were discussed in Chapter 1.

The western European countries have a long tradition of providing help for the poor. Nowadays, almost all European Union countries (the only exception being Greece) have some form of safety-net benefits designed to prevent extreme hardship among those with no or insufficient other resources to cope with daily life (Ditch 1999*b*). In a comprehensive study, Eardley *et al.*, (1996*a* and *b*) examined social assistance schemes in twenty-four OECD countries, thereby identifying seven regimes. This clustering of countries was achieved using five indicators – coverage, organisation, level, means-testing (in which part of the income was disregarded) and discretion. The regimes were named as follows : integrated safety net, dual social assistance, rudimentary assistance, residual assistance, highly decentralised assistance, selective welfare systems and the public assistance system.

The western European countries considered in this study (Eardley *et al.*, 1996*a*, see also Gough *et al.*, 1997 and Gough, 2001) clustered as follows : Finland as a residual social assistance regime, Belgium and France as dual social assistance regimes, and Ireland as an integrated safety-net regime. The clustering was similar to that in two previous studies (Lødemel and Schulte 1992 ; Liebfried 1992).

Finland, alongside the other Nordic countries, is seen as a representative of residual social assistance. The role of social assistance is rather marginal in Finland, since only a minor part of social security expenditure has been used in this form. This is largely due to well-developed first-tier social programmes that guarantee a high level of income to all citizens. In other words, generous social insurance benefits have left only a marginal role for social assistance schemes. Another feature typical of Nordic social assistance is that it is administered at the municipal level, unlike most social insurance benefits. Despite the presence of national regulatory frameworks the role of local authorities is substantial, and links with social work and social care have persisted. Each Nordic country has had a single general scheme with relatively high benefits. General citizenship-based appeal systems have modified the discretionary aspects of assistance.

Ireland is a welfare state with an integrated safety net; there is a large, national, general programme providing an extensive safety net and benefit levels above the OECD average. The rights to receive benefits are relatively well established and involve means-testing and important income exemptions.

Belgium and France are characterised as regimes of dual social assistance. These countries provide categorical assistance schemes for specific groups. Local discretion remains, but is firmly placed within a national regulatory framework. Benefit levels among countries vary considerably, from the generous Netherlands and Luxembourg to the below-average Belgium.

A few studies have explored social assistance schemes in central and eastern Europe (Braithwaite *et al.* 1999; Consensus 1999). Social assistance appears to have been a major area of reform during transition in nearly all CEE countries. Nowadays, most of these countries have such schemes, named variously "social assistance benefits", "minimum income", "subsistence benefit", or "social aid". (Capucha 1999.) Several institutional structural features have been identified. Firstly, social assistance is characterised by a multitude of different schemes. This has also been pointed out by Milanovic (1998), according to whom categorical social assistance plays a more important role than minimum guaranteed income. Moreover, in most cases local government is responsible for anti-poverty measures, very often with the support of transfers from the state budget, while the state manages categorical measures. Social assistance in transition economies is viewed as a temporary aid and is often provided in kind – for example, by hot meals or food vouchers. (Milanovic 1998.)

In general, the social assistance systems in the central and eastern European countries operate with the same underlying rationale as in the west: eligibility for benefit is established on the basis of an assessment of means, taking into account established conventions of family obligations and reciprocity (Capucha ,1999; Ditch, 1999*a*). Another similar feature is that lack of sufficient resources is not enough to give entitlement to benefits: in order to receive assistance other conditions have to be met, and additional criteria fulfilled. These criteria include low household earning capacity: single parent status, presence in the household of handicapped or elderly members; or "dysfunctionality" : alcoholism in the family, mental incapacity. (Milanovic, 1998). Moreover, schemes in central and eastern Europe impose conditions of availability and active job seeking on able-bodied beneficiaries under retirement age, as well as participation in training and active employment (Capucha, 1999).

The principle determining the minimum level varies widely across the CEE countries, as it does in the western European countries. Moreover, eligibility is usually widely drawn, as there are no explicit categories of people for whom the benefit is designed. One general eligibility criterion is legal residence and/or citizenship, as in western European countries. However, specific rules exist. For instance in Albania, non-nationals must be legal residents for more than ten years before they become eligible for social assistance. In addition, the basic rules of eligibility are supplemented by conditions of entitlement. (Capucha 1999)

Both the western and eastern European countries operate forms of social transfers specially designed to combat poverty and to provide last-resort help, although the nature and structure of these benefit schemes differ. Both sides of Europe have seen a remarkable growth in the numbers of people depending on social assistance, and partly as a consequence of this the social assistance arena became a focus for reforms during the 1990s. In eastern Europe the pressure to provide a service and respond to widespread needs has played a huge part in the reforms, while in the western European countries the policy changes have been driven by expenditure constraints (Ditch, 1999*b*).

Structure and operating principles

All eight countries considered in this study operate some kind of social assistance scheme that aims to guarantee a minimum income to persons who are not provided for in any other way. The different schemes share the characteristics of means and assets-tested schemes, but their structures vary widely.

This chapter begins with a description of the different means-tested benefits in the eight countries. We follow the distinctions made by Eardley *et al.* (1996) when attempting to cluster different benefits into general, categorical and tied benefits. This is done to create an overview of the present scheme in each country, that is what kinds of non-contributory benefits exist there. A similar grouping of benefits was formed by Capucha (1999) when studying social assistance schemes of the eastern and central European countries.

By general assistance schemes is meant programs which provide cash benefits for all (or almost all) people below a specified minimum income standard. General assistance schemes are means-tested, non-categorical cash benefits for daily living expenses. Categorical assistance schemes, on the other hand, are those which provide cash assistance for specific groups. Categorical benefits include means-tested cash benefits for specific groups, as well as other non-contributory cash benefits, such as social pensions and non-contributory disability benefits. This categorical approach can provide better targeted safety nets for groups of socially insured individuals with either insufficient or exhausted entitlement to benefits. (Capucha 1999) Thirdly, there are the tied assistance schemes, which provide access to specific goods or services in either cash or kind. In the literature tied assistance is often referred to as associated rights.

Tied or ancillary benefits that provide help with housing costs are common. Housing costs have crucial importance, especially for low-income families for whom they account for a significantly higher share of household consumption expenditure. The different ways the case countries offer help with housing costs are discussed in more detail at the end of this chapter.

Table 7 presents all the major non-contributory and means-tested programmes in the eight case countries (Situation in 2000 unless otherwise specified).

Table 7: Non-contributory means-tested benefits for combating poverty

	General	Categorical	Examples of tied assistance
Finland	*Toimeentulotuki*		
Belgium	*Minimum de Moyens d'Existence* (Minimex)	Guaranteed income for the elderly (*Revenu garanti aux personnes âgées*) Income replacement allowance for disabled (*Allocation de remplacement de revenus*) Integration allowance for disabled (*Allocation d'intêgration*) Guaranteed family allowance (*Allocation Familiale Garantie*)	Reimbursement of medical costs
France	*Revenu Minimum d'Insertion* (RMI)	Special old-age allowance (ASV) supplemented by supplementary allowance from the old-age solidarity fund (FSV) Disabled adult's allowance (*Allocation aux adultes handicapés, AAH*) Supplementary invalidity allowance (*Minimum Invalidité*) Integration allowance (*Allocation d'insertion, AI*) Specific solidarity allowance (*Allocation de Solidarité Spécifique, ASS*) Allowance for single parent (*Allocation de parent isolé, API*) Widowhood insurance (*Allocation Veuvage, AV*)	Reimbursement of medical costs (CMU)
Ireland	Supplementary Welfare Allowance, SWA	Pre-retirement Allowance Old-Age Non-contributory Pension Widow's Non-contributory pension Disability Allowance Deserted Wife's Allowance Prisoner's Wife's Allowance Orphan's Non-Contributory Pension Blind Pension Unemployment Assistance, UA Family Income Supplement, FIS One-Parent Family Payment Carer's Allowance Back to Work Allowance	Fuel Allowance Smokeless Fuel Allowance
Malta	Social assistance	Age pension Blindness pension Disability pension Allowance in lieu of pension Carer's pension Social Assistance Allowance Sickness Assistance Children's Allowance Special Allowance Disabled Child Allowance	Milk Grant Free Medical Aid Bonus (1) Additional Bonus
Latvia	Social assistance benefit to low-income families	Care allowance Support for families with children: State family benefit Childcare benefit Additional payment for disabled child Child's guardian's benefit Allowance for a guardian's duties Allowance for a foster family's duties State social benefits	Funeral benefit Free or subsidised meals Benefits for paying for medical services Benefits related to education and raising children, and other purposes Health care services – universal guaranteed minimum, and programmes reimbursing for medication for certain diagnoses Rights to be supplied with certain technical aids Dental care for children

	General	Categorical	Examples of tied assistance
Czech Republic	Social assistance benefits *(davky socialni pece podminene socialni potrebnosti)*	Allowance for care of someone needing personal care *(prispevek pri peci o osobu blizkou)* State social support *(statni socialni podpora)*: Child allowance *(pridavek na dite)* Parental allowance *(rodicovsky prispevek)* Social supplement *(socialni priplatek)* Travel allowance *(prispevek na dopravu)*	One-off assistance for life subsistence *(jednorazova davka socialni pece podminena socialni potrebnosti)*
Bulgaria	Social assistance: life subsistence allowance *(Социално подпомагане: Помощ за издръжка на живота)*	Invalidity pension *(Пенсия за инвалидност)* (civil invalidity – *пенсия за гражданска инвалидност*, military invalidity – *пенсия за военна инвалидност*, and social invalidity pensions – *социална пенсия за инвалидност)* Social pension *(Социална пенсия)* Personal pension *(Персонална пенсия)* Part-time work assistance *(Помощ за работа при непълно работно време)* Long-term unemployment assistance *(Помощ за дълготрайна безработица)*	One-off assistance for life subsistence *(Еднократна помощ за издръжка на живота)* Earmarked social assistance *(Целева социална помощ)* Heating allowance *(Помощ за отопление)* Allowance for families with many children *(Помощ за многодетни семейства)*

General assistance

All eight countries have general, non-categorical assistance programmes. Special plans to prevent extreme poverty, and targeting individuals and households whose income is below a specified level, that is those without sufficient means, are typical of the arrangements. The aim of general assistance is to guarantee a minimum level of income and provide everybody with the minimum resources to meet essential needs. General assistance ensures income to all those who are not protected by any other system of social welfare benefits. Furthermore, general assistance in each country is meant as a last-resort subsidy, and as temporary aid. For example, in the case of Ireland it should be stressed (correspondent's comment) that supplementary welfare allowance is a) an interim payment made to people while their claims are being processed and b) a payment made to people who "slip between the categorical cracks". In summary, general assistance acts as a safety net to catch those with low incomes who meet quite broad entitlement criteria (Capucha 1999).

General assistance is now summarised country by country.

The western European group

In **Finland**, a modern version of social assistance (*toimeentulotuki*) established in 1984 guarantees last-resort minimum subsistence if the individual or household cannot subsist on earnings, primary social benefits or other means. According to the Social Assistance Act (1412/97), social assistance denotes last-resort financial support, whose purpose is to secure the subsistence of a person or family and help them to manage independently. Social assistance is meant to ensure a person or family's essential subsistence from a humane standpoint if they cannot do this themselves with the help of wages, primary social benefits or other income. Social assistance is meant as a temporary aid in the absence of an income, or if that income is insufficient to ensure basic subsistence.

In **Belgium** the entitlement to a minimum subsistence level of resources (known as Minimex) was introduced in 1974 and is the main response to the problem of poverty. All individuals and households whose income is below this basic level can claim assistance equivalent to the shortfall. The goal of the Minimex is to ensure a minimum income to persons without sufficient resources who are unable to provide for themselves by personal effort or other means. It has a national statutory framework and the level of benefit is set by central government.

The **French** RMI (*Revenue minimum d'insertion*) set up in 1988 is the main instrument in the fight against poverty, as it combines a universal monetary allowance with the idea of social integration. It concerns all people whose resources are below a level of income which varies according to the size of the family. It is a national system enabling access to a whole series of fundamental rights and includes an innovative approach to integration. The RMI provides everybody with the minimum resources necessary to meet essential needs and guarantees that the income of a household will not be lower than the minimum amount, which varies according to the number of people in the household and the number of dependents. Overall, the RMI groups together very poor people who are not "protected" against lack of resources by any other system or any other social welfare benefits.

In **Ireland** it is the Supplementary Welfare Allowance Scheme that plays a critical role in preventing people from falling into poverty. It is an income support scheme of last resort in that it guarantees a minimum income to those without means, as well as giving assistance where needs are either inadequately met under existing schemes or are of an exceptional or emergency nature. The Supplementary Welfare Allowance provides a safety net against poverty in that it gives a statutory entitlement to a minimum weekly income, based on criteria set out in legislation. The scheme is nationally regulated, and the rates of payment for social assistance have been set nationally by parliamentary decisions.

Malta, also operates a social assistance scheme that is payable to heads of households who are either unemployed or seeking employment. It is awarded when the financial means fall below the level established by the Social Security Act. It is also payable to single or widowed females who lack financial resources and who are caring for an elderly or physically or mentally impaired relative on a full-time basis.

The eastern European group

In **Latvia** social assistance is directly aimed at combating poverty. Three main types of social assistance are identified : 1) material, 2) social care and 3) social rehabilitation. Social assistance is categorised according to its source of financing and administration : the state or local government. State social benefits have a universal character : the right to receive a certain benefit derives from belonging to a specific population group and does not depend on special needs, except for childcare benefit and birth grant benefit. The benefit for disabled people with restricted mobility does not depend on their income. These schemes are not contributions based, but financed from general taxation.

The local government social assistance system creates a safety net for persons locked into destitution, or in other social risk situations, or for those who do not receive sufficient income from a job, social insurance benefits or state social benefits. This social assistance provides for stabilisation of a family's income at the minimum level, as set by the Cabinet of Ministers, if the family is unable to generate sufficient income for justifiable reasons. The benefit is designed to tackle the notion of destitute families. Social assistance is thus available for families or single persons who correspond to the status of a destitute family. The regulations require the criteria of destitute family to be confirmed by the social assistance service or a local government body. The benefit rate is set by local government, but according to the regulations of the Cabinet of Ministers.

The Czech Republic makes available a wide scope of benefits under the system of social assistance. Allowances awarded to citizens in social need (social assistance benefit, also known as social care benefits) are the last-resort benefit within the scheme. The existence of material poverty is always checked. Generally, a household's income must fall below the subsistence minimum set for that particular household type. The benefit is granted to persons who cannot, due to age or health status, or for other serious reasons increase their income from gainful activity. The benefit is also a "top-up", which can be paid to those in work with income below the "social minimum".

In **Bulgaria**, social assistance is currently the principal means of combating poverty. The definition of social assistance as is laid down in Art. 2, para 2. SAA describes it as the "extension of aid, both financial and/ or in kind, and provision of social services aimed at satisfying a citizen's basic need of living where this has proved impossible through their own labour and assets". Social assistance means providing assistance to citizens undermined by financial or other difficulties. Assistance is rendered by providing material wealth to individuals whose earnings are insufficient, or who have been prevented by other circumstances from leading a dignified human existence. As one component of the overall system of social security, social assistance is of a subsidiary nature. According to their social function, social assistance benefits are grouped into two main categories, one of which is general social assistance benefits (life subsistence allowances). These are provided to citizens to help them maintain a dignified standard of living. They are general because every citizen in need is entitled to them, and also because their purpose is overall subsistence. The aim of the life subsistence allowance is to ensure that the person is provided with means up to a rate fixed by the state and adopted as the minimum needed to meet basic human needs.

Categorical assistance

As Table 7 confirms, it is rather unusual to guarantee minimum income through one generalised, all-encompassing, means-tested benefit. It is only in Finland where this kind of scheme exists. Such arrangements have mostly been confined to the Nordic countries (Ditch, 1999*a*). However, it must be emphasised that the Finnish labour market support and home care allowances have elements of means-testing, but are not specifically intended to combat poverty. Other countries have separate forms of categorical assistance that guarantee minimum income to certain groups of the population. In particular, elderly people are separately cared for by specific programmes. In principle, benefits targeted at the elderly are intended for senior citizens who do not qualify for any other types of pension. Belgium's guaranteed income for the elderly is intended for all senior citizens ineligible for other types of pension, while France's supplementary allowance to old-age pensioners guarantees a minimum income to people over the age of 65 years. Similar arrangements exist in Ireland and Malta. The Irish old-age non-contributory pension provides an income for those 66 or over who do not qualify for a contribution-based pension, and the Maltese old-age pension is payable to those who have not paid sufficient contributions, or none at all, and need financial support. This is the case in Latvia and Bulgaria as well ; in Latvia non-contributory old-age pension under State Social Security Benefit and in Bulgaria the old-age social pension are meant for elderly people who do not qualify for any other type of pension.

Another group for whom minimum income protection is separately organised are people with disabilities, the disabled. Most of the countries considered in this study have categorical assistance for people with disabilities. In Belgium, there are two separate benefits for disability : the income replacement allowance is intended to replace the earnings of persons of working age who cannot work because of disability, and the integration allowance is a standard allowance to cover expenses resulting from reduced autonomy. In France, the disabled adult's allowance (AAH) is paid to people with an incapacity for work classified as greater than 50%, and who are not in receipt of another invalidity benefit and whose resources are below the prescribed amount. In addition, the supplementary invalidity allowance (MI) is income support for those in receipt of an invalidity pension who are aged over 60 years. Such arrangements also exist in Ireland and Malta. In Bulgaria, invalidity pensions are awarded to persons with a permanent loss of earning capacity and who do not qualify for an invalidity pension. Invalidity pensions include the following benefits : civil invalidity pensions, military invalidity pensions and social invalidity pensions.

In most countries separate assistance is provided for single parents, families with children and families with children with special needs. There are special benefits designed for single parents in France (single parent's allowance, API) and Ireland (one-parent family payment). Belgium's guaranteed family allowance is targeted at those with particularly low incomes. It has three elements : the child allowance, the age addition and the maternity grant. Malta, Latvia and the Czech Republic provide a number of benefits for families with children.

In Malta the children's allowance is payable to mothers who take care of children under 16 years of age and where the household income does not exceed a stipulated amount, while the special allowance is payable to mothers with a child of 16 years or over who is either still at school or registering for employment. The disabled child allowance is payable to female Maltese residents who care for a child suffering from cerebral palsy or severe mental or other impairment, or who have a child under 14 years who is blind.

The Czech Republic provides several different forms of categorical assistance under state social support, most of which are targeted at families with children. The child allowance is the basic allowance granted to families with dependent children. Another type of benefit, social supplement, is also meant for low-income families with dependent children. Its purpose is to cover the costs incurred in meeting children's needs. The transportation allowance is designed to assist families in covering the costs of their children's commuting to an institution of secondary or higher education. A further type of benefit is the parental allowance, designed to partially cover the loss of income of a parent who personally takes care of at least one child.

A number of benefits targeted at families with children can also be found in Latvia. These benefits are part of state benefits and cover various groups of families with children.

In France and Ireland (unemployment assistance) separate means-tested benefits are provided for unemployed individuals who do not qualify for insurance-based unemployment security. The specific solidarity allowance (ASS) is paid to unemployed persons who have exhausted their rights to unemployment insurance and have worked for at least five years in the previous ten. This is the case in Bulgaria as well, where long-term unemployment assistance and part-time work assistance are measures to provide minimum income to unemployed persons who have exhausted their right to other types of unemployment compensation.

In countries considered in this study one common group receiving categorical assistance is the carers. They are specially catered for in Ireland, Malta (carer's pension), the Czech Republic (allowance for taking care of a person in need of personal care) and Latvia (care allowance). Moreover, some countries make available categorical assistance for widows and orphans, as well as deserted wives (France, Ireland, Malta, Latvia, and Bulgaria).

France and Belgium were classified in the study by Eardley *et al.* (1996*a*) as dual social assistance regimes, since both countries have traditionally provided categorical assistance schemes for specific groups but have supplemented them with newer programmes providing a general basic safety net, such as Minimex and RMI. In Belgium, social assistance consists of three other benefits in addition to Minimex. France has seven social minima benefits in addition to the RMI; while the RMI is intended as a general "safety net" for those ineligible for other social minima, other benefits are targeted at specific populations.

Likewise, Ireland and Malta share a common feature. Characteristic to both countries is that assistance is not only provided through one generalised minimum income benefit, but also via numerous separate categorical schemes. In Ireland, social assistance payments are payable to people who experience a specific contingency such as unemployment, illness, invalidity, single parenthood, survivorship, caring, low-paid employment while raising a family or old-age. In Malta there are several benefits provided on the basis of means-testing. To a large extent these benefits care for similar groups as the Irish programme. Both countries represent the liberal model, which is clearly indicated in the variety of different categorical means-tested benefits. However, despite the number of categorical benefits serving different functions, Ireland also has one primary and inclusive national assistance benefit (Eardley *et al.*, 1996*a*).

The eastern European countries considered in the study also have categorical assistance schemes, and certain features are worth identifying. Typical of the Czech system is that categorical assistance consists mainly of different family allowances, thus catering mainly to families with children. Latvia also has a number of categorical benefits targeted at families with children, but existing alongside these are state social insurance benefits that provide a minimum income to various groups of the population who are not covered otherwise. In Bulgaria, categorical assistance is provided in the form of pensions for different groups. In addition, categorical assistance is granted for the working-age population, particularly for the long-term unemployed and part-time workers.

Tied assistance and associated rights

Tied assistance is a kind of benefit in cash or in kind that provides access to specific goods or services. It is mainly in Ireland, Malta, Latvia and Bulgaria that this kind of assistance exists. These benefits address very different types of need.

One typical need that is met with tied assistance is medical costs. For example, in Malta free medical aid is payable to a person who on account of disability, sickness or disease, is in need of aid. Latvia also has a form of tied assistance to help with the costs of medical services (benefits for payment for medical services). Likewise, recipients of social assistance benefits in France and Belgium are nowadays entitled to free health care. In Belgium the compulsory health care insurance scheme has gradually been extended to cover everyone not otherwise protected. Current recipients of the subsistence minimum, etc. are eligible for reimbursement of doctors' fees and hospital bills, as well as pharmaceutical bills. In France the RMI gives entitlement to social security and supplementary coverage (medical assistance, CMU). In addition to free health care, the recipients of RMI are entitled to industrial accident insurance for integration employment and exemption from the community charge.

Some countries also operate tied assistance arrangements for families with children. In Malta, the "milk grant" is payable to the head of a household receiving social assistance when he/she or any member of the household has the care of a child under 40 weeks of age with special needs. Latvia provides help in the form of tied assistance for families with children (benefits related to education and upbringing of children and other purposes). The Bulgarian system (allowance for families with many children) includes a special cash allowance for families in need with at least three children.

Meeting urgent or exceptional needs

In several countries, mainly Finland, Belgium and Ireland, there are benefits providing some form of help with irregular or exceptional costs. The criteria for exceptional needs are frequently discretionary and the arrangements for meeting them highly individualised.

Finland has a system of supplementary allowances payable in addition to regular social assistance. Supplementary allowance includes exceptional medical costs as well as funeral costs and other necessary expenses. In addition, there is a "preventive" allowance which includes grants to avoid long-term dependency, such as to families in crisis, for training or rehabilitation, and for mortgage capital repayments.

Belgium has an additional system of discretionary supplementary payments, either for people with special needs or for those who for some reason are not entitled to other benefits. Individuals or households not otherwise meeting the criteria may be nonetheless entitled to social assistance on the sole condition that it is necessary in order for them to live "in accordance with human dignity". Persons who meet all the criteria except that of nationality are entitled to social assistance equivalent in value to the subsistence minimum. However, because this assistance is based on separate legislation there are some differences. Claimants who do not meet the resources criterion may also be awarded social assistance if they face particularly heavy but essential expenses. The Public Centres for Social Aid are also empowered to issue food and fuel vouchers, for example, to help households meet exceptional one-off expenses.

In Ireland, if an applicant's income, from the supplementary welfare allowance or elsewhere, is too low to meet certain exceptional needs, he/she may be granted a supplement. Such exceptional needs include heating expenses due to ill-health and special diets for certain medical conditions. Furthermore, there are exceptional needs payments (ENPs) that assist people with a one-off expenditure. Current legislation does not confer a statutory right or entitlement to ENPs – they are discretionary. The urgent needs payment may be awarded to individuals even if they are not normally eligible for assistance under the supplementary welfare allowance scheme. Payments are normally made to assist with immediate needs such as food and clothing.

Meeting housing costs

One complicating factor in the administration of social assistance is the treatment of housing costs. The way housing costs are handled in social assistance differs greatly between countries (Eardley *et al.*, 1996*a*). As mentioned earlier, housing costs have particularly significant meaning for low-income families as they compose the largest single household expenditure. (See more Kuivalainen, 2002.)

There is no comprehensive housing allowance in Belgium. In principle, the cost of housing is covered by the basic social assistance allowance. A basic system of housing benefit is also missing in Ireland, the support for housing costs for low-income families being rent and mortgage supplements within the supplementary welfare allowance. Rent allowance is administered under the SWA scheme, and one does not need entitlement to the main SWA payment to receive the benefit.

The other six countries have some system of general housing benefit. A common feature of all these schemes is that they are means-tested and thus targeted at low-income families to provide help with housing costs. The Bulgarian system, however, is not a completely general one, since the rental allowance covers only explicitly defined categories of persons: orphans under 25 years of age, lonely elderly people, lonely disabled people and single parents.

In addition to the general housing allowance, the Finnish social assistance scheme provides a supplement for housing costs, for the difference between the actual rent and the housing benefit. In Latvia, too, a separate housing supplement is paid within social assistance. In other countries housing costs are included in the standard rates and no separate supplement is granted for this purpose.

The case countries thus differ in whether the housing element of social assistance is paid as a specific supplement or is meant to be covered within the general housing assistance payments. Finland, Ireland and Latvia are examples of the former. Belgium, France, Malta, the Czech Republic and Bulgaria represent the latter arrangement, as there is no supplement for housing costs within social assistance and help with this expense is generally provided through a general housing benefit.

Kazepov and Sabatinelli (2001) use the term functional and institutional benefits to clarify the structural aspects of assistance. By functional benefits they mean those additional benefits that form part of the basic social assistance measure, while institutional benefits means additional measures to which social assistance beneficiaries are entitled. Using this terminology, Finland and Latvia have both functional and institutional benefits to meet housing costs, whereas the Czech Republic, Bulgaria, Malta and France have institutional benefits.

The western European group

In **Finland** the general housing allowance, a means-tested benefit based on residency, is designed to help low-income families with housing costs. The maximum monthly housing allowance is 80% of the amount of the reasonable housing cost which exceeds self-liability costs. In addition, a supplement for housing costs is granted within social assistance.

Belgium has no system whereby low-income households are automatically entitled to assistance. Each region has its own rules on rent allowances, but these are payable only when a household leaves accommodation that is unfit or legally too small in order to move to a home that complies with the regional regulations. Depending on the region, there may or may not be a time limit on eligibility for rent allowance. Thus assistance with housing costs is only available on a discretionary basis from local authorities. The rent allowances from regional authorities are not counted as income when applying the test of a claimant's means. In addition, social general assistance payments are meant to cover housing costs and thus no supplement is granted.

In **France** there are three housing benefits to provide partial coverage of housing expenses : the family housing allowance (ALF), the personalised housing allowance (APL) and the social housing allowance (ALS). All three are means-tested and are granted to tenants and purchasers living in a property which must meet minimum standards. Housing allowance is not included in the household income, other than a flat-rate amount when determining the amount of social assistance.

Ireland does not have a specific system of housing benefit ; the main schemes of support for housing costs for low-income families are rent and mortgage allowances under the supplementary welfare allowance scheme, and differential rents charged by local authorities to their tenants. Rent allowance is administered under the SWA scheme.

In **Malta** the housing authority administers cash grants to support renovations of both private and government-owned housing, and subsidies for rent. Scheme R, a subsidy for private rent, has been created for the private rental housing market. The subsidy is allocated according to income and family size.

The eastern European group

Latvia's means-tested housing benefit is a supplement to the low-income family benefit. Part of social assistance is thus dedicated specifically to housing. Within social assistance the supplementary sum equals the difference between actual paid accommodation costs and the sum of incomes of all persons registered in the house/apartment exceeding 12 LVL (22 euros) per person. There is also a separate local municipality benefit for housing. The amount of this benefit varies from one municipality to another, depending on the available resources.

In the **Czech Republic** housing allowance is designed to assist low-income families and individuals in covering the costs of housing.

The new **Bulgarian** legislation provides for a rental allowance. The explicitly defined categories of persons entitled to receive allowance are orphans under 25 years of age, lone elderly people, lone disabled people and single parents.

Conditions of eligibility for general assistance

We now turn to examine in more detail the conditions of eligibility for general assistance and outline some of the main conditions of eligibility in the countries studied. We have already noted that each of the eight countries has a scheme of general assistance, whose primary aim is to guarantee minimum income to those without sufficient means. In each country general assistance is the last-resort tool in the fight against poverty. To be eligible for this benefit the claimant must fulfil several criteria to determine his/her right to society's last-resort help. We will examine the rules in relation to age, nationality, the assessment of means and family responsibility. Lastly, the availability for work is dealt with. For more detailed information the reader should turn to the individual country reports. Much of the information on Malta is lacking.

Minimum age thresholds

We look first at the minimum age at which individual claims can be made for the general purpose assistance benefits. In most countries entitlement to benefit can only be established after an individual reaches the age of 18 years. However, there are a few exceptions, forming interesting distinctions between some of the western and eastern European countries.

France stands out in restricting access to the *Revenu minimum d'insertion* (RMI) to those aged at least 25. As Ditch (1999 *a*) has pointed out, it is clear that French young people are relatively lacking in support via social assistance compared to those in most other countries with a general scheme. The policy decision not to extend the RMI scheme to young people is said to be ideologically motivated, reflecting a fear of generating a "culture of dependency" among young people who have not experienced working life (Enjolras *et al.*, 2000).

Though the entitlement to the subsistence minimum is restricted in principle to adults, that is persons over 18, in Finland, Belgium and Ireland it is available to under 18-year-olds in special circumstances. It should be noted that while entitlement is restricted to those over 18, in some cases there are additional rules applied to young people, generally up to the age of 25. For example, in Belgium claimants aged between 18 and 25 are required to sign and adhere to an agreement with the social worker in charge of their case.

Latvia and Bulgaria have a different approach. In Latvia, those who have reached 15 years are eligible to apply for assistance. Bulgaria is the most liberal case country, as there is no age limit for receiving social assistance allowance. However, age is important for the individual coefficient in the allowance calculations.

Residence and nationality conditions

One way in which access to generalised social assistance benefits may be restricted is through nationality or residence conditions. In principle, citizens permanently domiciled in their country are entitled to social assistance. A more significant issue is how non-nationals, especially refugees and recent immigrants, are treated, since they are not usually eligible for insurance-based benefits. Their particular economic vulnerability means that in some countries they account for a substantial part of the social assistance case-load. The first basic condition of entitlement for non-nationals is legal residence in the country.

In Finland and Ireland eligibility for social assistance does not depend on the nationality condition. Anyone can claim assistance while resident in these countries, subject to all the normal conditions of the relevant scheme. Belgium nowadays resembles the Finnish and Irish systems a good deal. Until 1992, Belgium required five years recent residence or ten years over a lifetime before eligibility for assistance was granted (Eardley *et al.* 1996b). Today the subsistence minimum can also be claimed by refugees and stateless persons and by nationals of European Union countries covered by the rules on free movement of workers within the Union. In France the entitlement for non-European Union citizens is still more conditional. The assistance is only granted in cases of permanent residence. The entitlement to RMI for foreigners is dependent upon being in possession of a *carte de résident* or being resident in France with an official temporary *carte de séjour* for at least three years and with proof of having been employed for those three years (Eardley *et al.*, 1996 *b*).

The western European schemes tend to be quite universal when it comes to nationality conditions – although social assistance is planned primarily for their own citizens, legally resident non-nationals still have the right to claim benefits largely under the same conditions. It is more the residence factor that governs entitlement. This is not the case among the three eastern European countries, as they seem to be more restrictive in their entitlement criteria for social assistance for non-nationals.

In Bulgaria the entitlement to social assistance is basically restricted to Bulgarian citizens, though under certain circumstances entitlement is granted to refugees, too, on condition that their sojourn in the country is lawful. This is also true in the Czech Republic : long-term permits are granted to those who want to work, while permanent residence is usually limited to cases of family unification. Only around 1 % of residence applications are granted, and long-term permit holders lose their residence permit if they are no longer working. Thus, there are no provisions for granting them either state social subsidies or social assistance, and non-nationals are generally not entitled to these benefits in the Czech Republic. Non-national residents are generally not entitled to minimum benefits with the exception of those facing serious health impairment. In Latvia, the country's citizens, as well as non-citizens, foreigners and persons without citizenship who have received a personal identification number have the right to receive social aid from local government.

Assessment of means

All social assistance schemes operate with the same underlying rationale : eligibility for benefit should be established on the basis of an assessment of means, taking into account established conventions of family obligation and reciprocity.

In each country, the domestic unit whose resources are taken into account when applying the test of a claimant's means is determined similarly, that is family or household. All the case countries take into account only the resources of the claimant, and of their partner or spouse if they have one. However, in Belgium parents have some maintenance obligation for their children even when they are over 18 years of age.

A shared feature between the countries is a relatively strict approach to the treatment of resources. In each country the income from all sources is taken into account when establishing entitlement to social assistance. However, although social assistance is meant to be a last-resort benefit, meaning that all other benefits and possibilities have to be exploited before it can be granted, the western European countries allow some exceptions to this rule.

Generally, all the applicant's disposable income is taken into account irrespective of source, but in Belgium, Finland, France and Ireland there are some types of benefits which are exempted when reviewing social assistance entitlements. For example, Belgium has certain benefits specially ring-fenced, notably family allowances and maintenance payments received in respect of children, and rent allowances paid by regional authorities.

In addition, a proportion of earnings is disregarded in Belgium and France in order to encourage working. In Finland this can also be possible, yet there are no standardised rates and the discretionary exemptions are not often applied. From the beginning of April 2002 the Finnish Government will launch a three-year programme under which part of the earnings are disregarded. The purpose is to encourage working. In each western country in this study the applicant's disposable assets are also taken into account when granting the allowance.

In the Czech Republic, Latvia and Bulgaria all income, irrespective of the source, is taken into account. The level of means-testing is thus stricter, implying that social assistance is truly a last-resort help among the eastern European countries.

Availability for work

Each country considered in this study requires recipients to register as unemployed and establish that they are actively seeking work.

According to the Finnish Social Assistance Act, each person has the primary responsibility to care for himself and those in his charge. While social assistance is meant to be temporary and the aim is to promote the recipient's independent action, current legislation embodies no strict obligation to work. In Belgium, the rules in relation to the subsistence minimum stipulate that claimants must demonstrate willingness to work within their capabilities, whereas in France the claimant must be available for training, integration or employment activities on the basis of the integration contract. RMI assistance is conditional on compliance with an "insertion contract", which may include work but without this being an obligation. In Ireland, claimants of working age have to register for work. Those receiving unemployment assistance have stricter rules concerning the work test : they must be actively seeking full-time work and have evidence of this.

The eastern European schemes operate with stricter rules. The three countries considered in the study all insist that an applicant of active age and able to work must also be actively seeking a job as well as being registered as unemployed. In Latvia, furthermore, a beneficiary who is unemployed is obligated to seek a job, to accept suitable offers of work or to retrain, thus demonstrating efforts to improve their condition. A person is not eligible for the benefit if he/she has been laid off because of their own wish or fault, has rejected an employment proposal or offer of public work, or has rejected retraining or other measures to facilitate their employment. However, the harshest conditions prevail in Bulgaria, where the unemployed receive monthly cash benefits only when they do not refuse at least five days of community work. The aim of social assistance in Bulgaria is to support the person to overcome his/her adverse conditions by their own effort, and above all by their own labour when they are capable of work.

None of the countries apply work tests – or at least they are more relaxed – for people who are ill, disabled, over retirement age, or for lone parents caring for a child.[8]

8. Unfortunately, data provided by the national correspondents do not allow any further description or analyses of the exemptions from the work requirement.

Other conditions

It is primarily in Latvia and Bulgaria that other conditions apply. Moreover, it is in these two countries where the benefit duration is limited, while in the other six countries benefit is payable as long as the applicant's means are insufficient and other conditions continue to be met.

In Latvia, the benefit is designed to combat the notion of destitute families. The benefit is available for families fulfilling the description of a destitute family. According to the regulations, the status of destitute family is to be validated by the social assistance service or a local government body. Furthermore, benefits are granted according to priorities established by the Cabinet of Ministers. Families with higher priority are those with a child under 15 years of age, or older if they are attending comprehensive school and unmarried. Other priority groups are persons with serious disability or of pension age and without a breadwinner, disabled persons, retired persons and others. The benefit duration is three months if the family includes a person of working age and six months without someone of working age or available for work. However, benefit duration is limited only for administrative purposes in order to monitor the situation of the recipient family. Thus, the time limit as such is not a reason for losing entitlement.

In Bulgaria, too, persons whose social status is more vulnerable enjoy special protection. These groups are children left without the care of close relatives, mothers with many children, and elderly people who have lost their close relatives and are unable to manage on their own assets. Alongside the general prerequisites there are additional criteria related to the person's state of health. The basic need for help must be conditioned by reasons beyond the needy individual's control. An unemployed person can be provided with a monthly social assistance allowance intermittently for a period of up to three years.

Administration and financing of social assistance

Next we move to examine the administrative and financial structures of social assistance.

A common feature of all the countries is that social assistance is centrally regulated (See Ditch *et al.*, 1997). Yet Malta is unique in being the only country where social assistance is also administered by central government. In Ireland, supplementary welfare is administered by the regional health boards under the general direction and control of the Minister for Social, Community and Family Affairs. In the other countries social assistance is administered more locally, either by municipalities or other local authorities ; for example in Belgium the Public Centres for Social Aid (*Centres Publics d'Aide Sociale*, CPAS) award the benefits.

A further distinction can be made between the countries in relation to financing. By definition, social assistance is always financed by tax revenues. In France, the RMI (social minima) is financed by the state but the other social benefits are financed by the departments. In Ireland, social assistance is fully financed by the state. In Belgium, the federal government meets at least 50% of the bill for the subsistence minimum, and in Finland the state is responsible for one fourth of the expenses on average. As for the three transition countries, the Czech system differs from the Bulgarian and Latvian ones in that all social assistance expenditures by local government are refunded from the state budget. In the other two countries the financial burden is divided between the central and local authorities. In Latvia, social assistance is financed from the local government budget and social assistance fund. This is the case in Bulgaria as well : according to the 1999 and 2000 State Budget Acts, 50% of the costs of the social assistance system took the form of subsidies earmarked for the municipalities. Characteristic of the central eastern European countries is that local governments are relatively free to establish their own social assistance benefits. This allows a great deal of discretionary power at local level. The local governments provide help within their budgetary limits, yet there are regulations set by central government.

Finland represents the Nordic countries in having social assistance schemes largely operated by the local administrations, which have large discretionary powers (Lødemel and Schulte, 1992 ; Bradshaw and Terum 1997). However, it could be argued that this is no longer a typical feature of Finnish social assistance following the legislative changes made in 1998, and recent studies have failed to provide evidence of considerable local discretion (Keskitalo *et al.*, 2000).

Conclusion

This chapter has summarised and discussed the aims and principles of social assistance schemes, and the main conditions of eligibility and entitlement to general assistance. The administration and financing of social assistance were also examined. The key findings are presented in the following table.

Table 8: Key characteristics of minimum income schemes

	Welfare state model	Structure	Conditions of eligibility	Administration and financing
Finland	Social-democratic	One all-encompassing general assistance	Fairly modest	Locally administered, municipalities' share of expenses approx. 80%
Belgium / **France**	Conservative	General assistance plus several forms of categorical assistance mainly for elderly and disabled	Strong initiatives for integration and work. Those under 25 years are treated differently; parents maintenance obligation	Locally administered and financed; responsibility shared between the state and local authorities
Ireland / **Malta**	Liberal	Several forms of categorical and tied assistance providing financial help for various groups with different needs	Modest, particularly for non able-bodied	Centrally administered
Czech Republic	Bismarckian	Categorical assistance, particularly for families with children	Rather modest	Locally administered, financed mainly from the state budget
Latvia / **Bulgaria**	Bismarckian	Various forms of categorical assistance, as well as a number of tied assistance benefits	Strictest: able-bodied claimants are less deserving; benefit duration is limited	Locally administered, financed mainly by local authorities; local governments have more power and right of discretion

In each country considered in the study the primary social benefit to combat poverty is general social assistance. The aim of the benefit is to guarantee at least the minimum level of subsistence to persons and households whose income is below a certain level. Finland excepted, the countries address low-income people within different categorical population groups.

There is a wide range of categorical assistance covering different groups, from disabled and elderly to unemployed and families with children. Another feature with regard to institutional structure is the role of tied assistance, which is primarily found in Ireland, Malta, Latvia and Bulgaria. Various benefits provide help to meet particular needs. These programmes are means- as well as needs-tested.

Conditions of eligibility are stricter among the eastern European countries than in the west. This becomes obvious when examining the requirements for nationality and residence, the rules being more restrictive in the Czech Republic, Latvia and Bulgaria. The examination of assessment of means verifies this situation. Most of the western European countries considered in this study allow a part of earnings to be disregarded, whereas all three eastern European countries take into account all income. Furthermore, availability for work is emphasised more among the eastern European countries, particularly in Latvia and Bulgaria. A clear distinction is made between able-bodied and non-able-bodied claimants, the former being seen as less deserving individuals. For example, benefit duration is limited for unemployed claimants in both Latvia and Bulgaria. In addition, the Latvian scheme operates based on the notion of the destitute family; to receive social assistance the status of destitute family must be established by the social assistance service or a local government body.

With the exception of Malta and Ireland, all countries considered in this study are similar when it comes to administering and financing social assistance. Social assistance is locally administered, and in most cases also mainly financed by local authorities. We can conclude that delivering and financing of those social benefits that are specially designed to combat poverty are mainly the responsibility of local governments and authorities in our case countries.

CHAPTER 4: TESTING THE SCHEMES

This chapter examines the level of guaranteed minimum income in the eight countries considered in the study. It aims to test the generosity and effectiveness of the minimum income systems comparatively. The method used resembles a type of microsimulation, that is the functioning and outcomes of schemes are tested for selected families and life situations. The structure of this chapter is as follows. First comes a brief general discussion of the generosity of social assistance benefits. After this overview the method used in this study is presented, as well as the selected model families. The latter part of the chapter concentrates on the testing of the schemes.

An adequate level of guaranteed minimum income has been a central issue among academics and politicians since the early days of poor relief. Nonetheless, attempts to compare levels of guaranteed minimum income cross-nationally are rare in relation to the other social transfers. Several reasons for this are outlined by Eardley *et al.* (1996a). First, social assistance benefits have not been a very salient issue. Until the 1980s social assistance was a residual part of welfare, as the majority of the population was protected by insurance-based schemes. Moreover, the problems of defining social assistance also make comparison difficult, and it is hard to find comparable systems.

There has been growing interest in measuring and comparing levels of guaranteed minimum income and the adequacy of benefits (SZW 1995; Eardley *et al.*, 1996 *a*; OECD 1998 *a* and *b*, 1999; Behrendt 2000; Heikkilä and Keskitalo, 2001). The most comprehensive work has been done by Eardley *et al.*, (1996 *a*), who compared the level of social assistance in twenty-two countries. They outlined the relationship between the economic sufficiency provided by benefits and the generosity of the programmes. The results showed that low levels of adequacy usually indicate low replacement rates. The Scandinavian countries displayed the most generous levels of benefits and the highest replacement rates, while the lowest levels were found among the southern European countries. The results from more recent studies are in line with Eardley *et al.*'s work. All the studies indicate that the levels of benefits and replacement rates vary considerably between family types. In most countries benefits have tended to favour families with children.

Several studied have attempted to compare the level of minima in the central Eastern countries (Capucha 1999 ; Braithwaite *et al.* 2000). The task has been difficult, yet some broad conclusions can be drawn. First of all, the value of social assistance is, as expected, significantly lower in these countries than in the western European countries. Secondly, the programmes have been characterised by poor targeting, that is the support tends to go more to non-poor than to poor households, thus leaving low-income families living in poverty.

Using microsimulation with model families

One possibility for conducting cross-national comparisons is to use the so-called model family technique. Comparing the level of social assistance with the help of model families makes otherwise non-comparable rules and situations more or less comparable and thus possible to examine. The technique is based on defined model family types, for whom the value of social assistance is calculated. It represents a form of simulation where the impact of national policies is simulated on the defined model families, and where the aim is to describe the outcomes and operation of social programmes at the individual level. In order to operate, the method requires comprehensive specifications and assumptions to make the model families comparable and the situations identical across countries. In this study we have created four different model families for whom the value of minimum guaranteed income is calculated. The family types are as follows :

- single without family ;
- single parent with two children ;
- couple without children ;
- couple with two children.

These model family households reflect typical family types receiving social assistance. Single adult households are particularly on the increase in every country, due on one hand to increasing life expectancy, and on the other hand to the growing numbers of separations and divorces, the decrease in numbers of marriages and more frequent later marriages (Kazepov and Sabatinelli, 2001). Single adult households are more likely to be in need of social assistance because they lack support from other family members. This is especially true for single parents, who have an additional care responsibility. The ages of family members have been standardised. Previous studies have shown that the ages of children have some impact on the results, and that the level of income differs to some extent with age (Behrendt, 2000 ; Eardley *et al.*, 1996 *a*).

The model family methodology is fairly new, and has mainly been used in studies focused on family policies (Kahn and Kamerman 1983 ; Ditch *et al.* 1996). Model families allow the possibility of studying how the system works at individual level and what kind of security it provides. Nonetheless, the method also has several weaknesses and limitations. Perhaps the most severe weakness is that it produces a picture mainly of how the system should work instead of how it actually works. Since the method does not include any behavioural effects, it is in a sense fixed and static. Hence, it is actually the structural features of benefit systems that are compared, not the outcomes for actual families.

The other main limitation concerns the assumptions and specifications. The more assumptions are made about the circumstances of the model family the more hypothetical they are, and thus the less representative of actual families receiving social assistance. It should be mentioned that the compared families are to some extent arbitrary. Hence, the purpose of this method is to illustrate rather than generalise.

Several explicit assumptions are made in this study in relation to the situation of the model families. One significant specification concerns income. None of the model families are assumed to have entitlement to social insurance benefits that require previous contributions. For the families of working age, the adults are assumed to have been unemployed for long enough not to be entitled to any contributory unemployment benefits, that is the length of the person's unemployment spell has exceeded the particular country's limit for receiving contribution-based unemployment benefits. One-off benefits or special premiums are not included if they are granted on discretionary bases, and thus comparison is purely based on standardised benefit levels. The amount of social assistance can also to some extent vary within a country. For example, in Finland the basic portion of social assistance varies from one local authority to the next, the difference being based on two different expense categories.

The other specification deals with housing. Housing costs are assumed to be counted as average rent level in a country for a specified type of household. Housing costs have proved very difficult to take into consideration, since they vary both within and between countries according to size of dwelling, as well as age and location. In addition, the way in which governments provide support for housing costs varies greatly between countries. In most countries, help with housing costs is a critical element in a benefit package (Ditch *et al.* 1996).

The national correspondents have provided all the figures, unless otherwise stated. The responsibility for the validity and reliability of data rests fully with the correspondents.

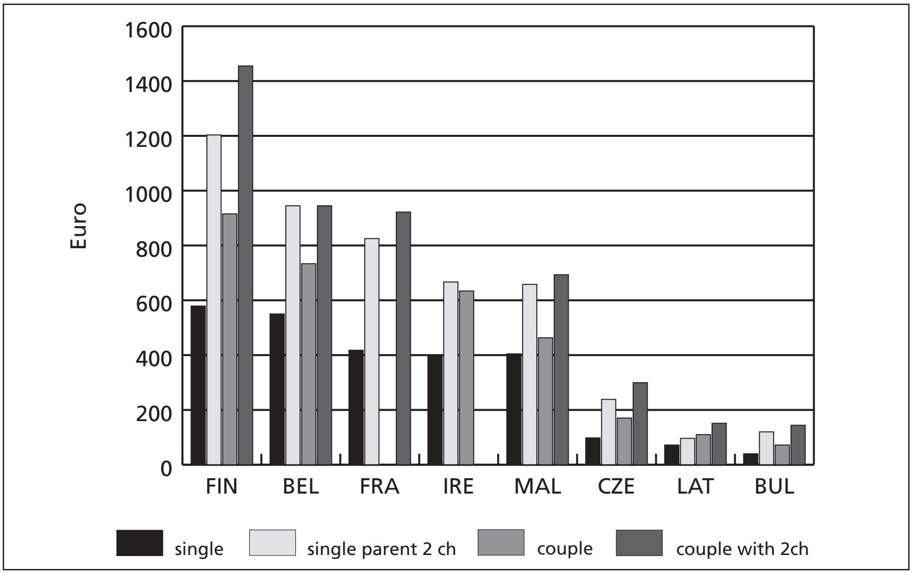
One general interest is the level of minimum income in the eight countries considered in this study, and the following items are examined:

a. monthly amounts of guaranteed minimum income in euros
b. monthly amounts of guaranteed minimum income in euros and purchasing power parities (PPPs)
c. equivalence scales imposed in each country
d. monthly amounts with OECD equivalence scales
e. composition of guaranteed minimum income package

Monthly amounts of guaranteed minimum income

With respect to generosity we first examine the monthly amounts of guaranteed minimum income that each country provides for four selected model family households. The amounts represent total net disposable family income, or the total amount of money at the disposal of a household living on social assistance after taxation. They include all the benefits that the model family is entitled to based on their situation, such as child allowance and housing benefit. The amounts are shown in € in Figure 1.

Figure 1: Monthly amounts of guaranteed minimum income (in €)[1, 2, 3]



1. For Ireland and Bulgaria housing allowance is not included
2. The amounts of French guaranteed minimum income are based on the researcher's calculations
3. Values are missing for the French couple without child and the Irish couple with two children.

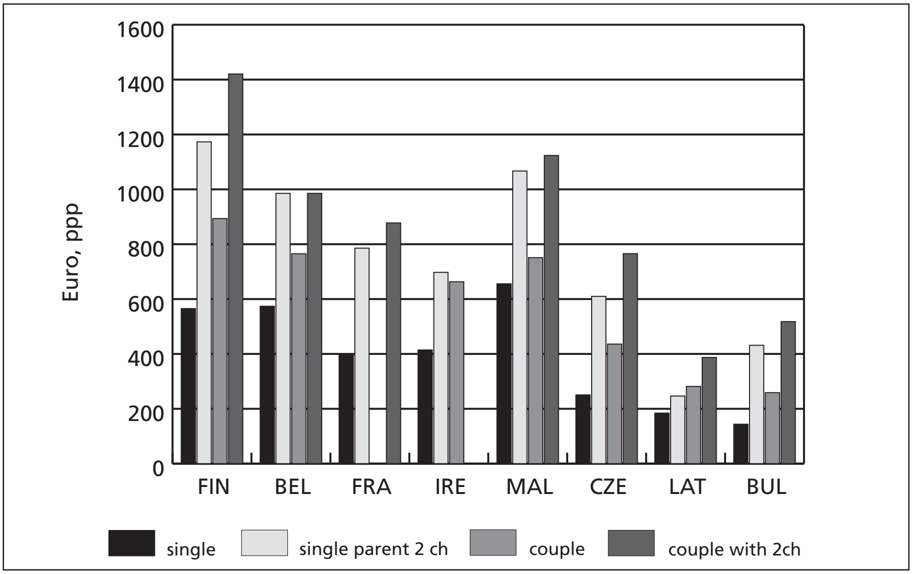
First we will look at the overall rankings of the countries. The comparison of minimum income level shows that the monthly amounts are highest in Finland, and lowest in Latvia and Bulgaria. Finland guarantees the highest level of benefits for each family type considered in this study. In Belgium and France the amounts of guaranteed minimum income are at similar levels. The lowest levels among the western European countries are provided in Ireland and Malta, where the benefits are half of the Finnish levels. Overall, the western European countries are much more generous than the CEE countries. Yet there are also substantial differences between the eastern European countries. The Czech Republic grants almost twice the amounts of Latvia or Bulgaria. However, it should be noted that housing allowance is not included in the Bulgarian and Irish amounts due to missing information.

The overall ranking of the minimum income levels appears to fit uniformly with expectations based on the notions of the different welfare state models. The level of minimum income is most generous in the social-democratic welfare state representative – Finland – and lowest in the poorest transition countries – Latvia and Bulgaria. The gap between the most generous country and the least generous countries is on average €900.

The ratio of guaranteed minimum income in the three eastern European countries to that in the five western European countries is not unexpected. As a matter of fact the ratio of benefit incomes matches the ratio of GDP per capita of the countries quite well.

With few exceptions, most of the previous studies have used purchasing power parities (PPPs). PPPs are a method of comparing the actual value of a currency in terms of purchasing power. There are several limitations, however, and the method has been criticised for a number of reasons (see Bradbury and Jäntti 1999). It is argued that PPPs do not give a reliable value of a household's income, especially for low-income families. Despite these limitations, it is also argued that PPPs are the best available way of comparing the value of benefits across countries. In order to make the comparison accurate the values of monthly guaranteed minimum income are shown in euros and in purchasing power parities. The PPPs are derived from the World Bank's (2001) World Development Indicator database. In this methodological exercise we examine how the use of PPPs impacts on the findings.

Figure 2. Monthly amounts of guaranteed minimum income (in € and PPPs) [1, 2, 3]



1. For Ireland and Bulgaria housing allowance is not included.
2. The amounts of French guaranteed minimum income are based on the researcher's calculations.
3. Values are missing for the French couple without child and the Irish couple with two children.

The comparison of the level of minimum income using PPPs gives a slightly different picture. First of all, the differences between countries narrow. Secondly, the country ranking partly changes. Malta ranks much higher when using PPPs; actually the Maltese scheme offers a single person without children a more generous level than even Finland. Overall, comparison using purchasing power parities raises the levels of income, especially for the eastern European countries and Malta.

Equivalence scales

As can be seen above, countries treat the various family types differently. Benefit systems respond in different ways to the addition of more members to a household, that is the implied equivalence scales in benefit systems vary.

Table 9 presents the implied equivalence scales in each country's social assistance system. For example, in the case of Ireland equivalence scales are calculated from personal rates for different family types. Here the equivalent incomes are correlated in most cases to the incomes of one-person households. The equivalence scales shown refer only to social assistance benefits – so-called standardised basic norms – and thus do not take into consideration any additional benefits, such as child allowance. This comparison allows us to examine how the different countries treat different families. Moreover, the table also shows both the old and modified OECD equivalence scales.

Table 9: Equivalence scales used in social assistance schemes

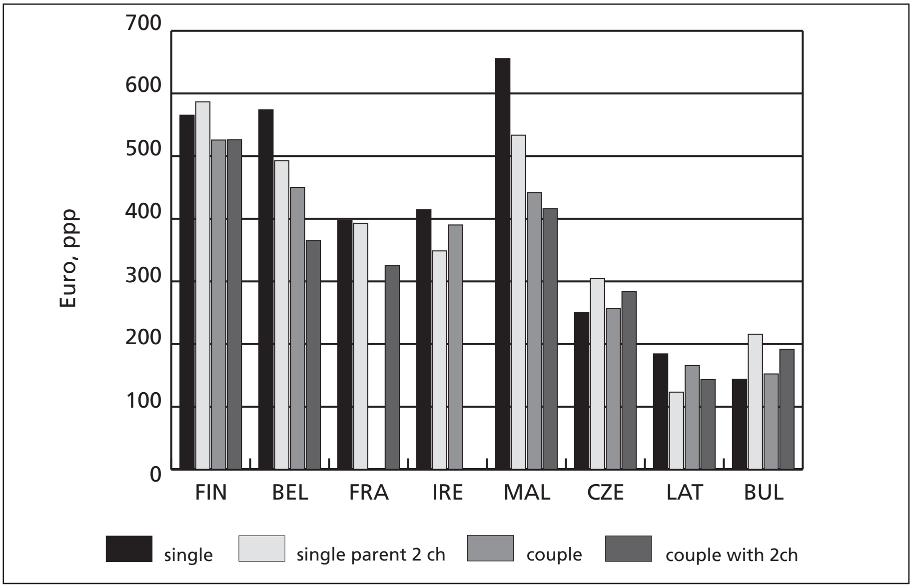
	Finland	Belgium	France	Ireland	Malta	Czech Republic	Latvia	Bulgaria	OECD old	OECD modified
Single	1	1	1	1	1	1	1	1	1	
Single parent with 2 children	2.3	1.3	1.8	1.3	1.3	2.4	2	3	2	1.6
Couple	1.7	1.3	1.5	1.6	1.1	1.7	2	1.8	1.7	1.5
Couple with 2 children	3	1.3	2.1	2.0	1.4	3.1	3	3.6	2.7	2.1

There are high equivalence scales for children in Finland, the Czech Republic, Latvia and Bulgaria, implying that these schemes are favourable towards large families. For example, in Bulgaria a couple with two children receives 3.6 times more income than a single person without children. Belgium, Ireland and Malta have lower equivalence scales. The presence of another adult in a household increases benefit income by about one tenth in Malta and one third in Belgium, while increases are more substantial in Finland and the Czech Republic, and even more so in Bulgaria and Latvia.

According to the old OECD consumption unit scale, the first adult receives the value 1 and additional adults the value of 0.7. All the children receive a value of 0.5 regardless of their birth order. The modified OECD consumption unit also gives the value 1 for the first adult, whereas additional adults and children age 14 and over now receive a value of 0.5, and children under 14 years of age a value of 0.3. The modified equivalence scale gives less weight to additional family members than the old scale. In Finland, the Czech Republic, Latvia and Bulgaria the equivalence scales embedded in social assistance schemes are much more generous than both scales adopted by the OECD, whereas Belgium, France, Ireland and Malta give a smaller relative weight to additional family members than the OECD scales.

In addition, the value of GMI package benefits is compared using the OECD equivalence scale. It should be noted that as the equivalence scales presented above apply only to standardised social assistance norms, we will next look at the whole GMI package (the values shown in Figure 3). The OECD equivalence scale is commonly used in the cross-national comparisons. This way the incomes of households of different sizes are rendered equivalent and the families are comparable to one-person households (a single-person household thus equals 100).

Figure 3. Monthly amounts of guaranteed minimum income for model families using the old OECD equivalence scale



With the exception of Finland, the Czech Republic and Bulgaria, the case countries guarantee the most generous income for a single person without children. This is specially true for Malta, Belgium and Ireland. The Finnish scheme, along with the Bulgarian and Czech arrangements, provides a rather generous income for single-parent families. Unique to Bulgaria and the Czech Republic is the guaranteed high levels of income for a couple with two children. In other countries, the income provided for this family type is the lowest among the four model family households.

Guaranteed minimum income benefit composition

The structure of the guaranteed minimum income benefit package is now studied. The interest here is in the composition of the GMI package and the relative weight of different parts. These different parts, in addition to social assistance, are housing and family benefits, and unemployment assistance when it is paid instead of social assistance. The relative weights of the different benefits are calculated as parts of the total net disposable family income. The composition of the package, or the weight of each part of the total GMI, is shown in Table 8. Data are not available for Ireland, the Czech Republic and Bulgaria.

Table 10: GMI package composition in five countries

	Social assistance	**Housing benefit**	**Family allowance**	**Labour market support**
Finland				
Single	7	31	0	62
Single with two children	3	28	69	0
Couple	5	16	0	79
Couple with two children	15	20	38	27
Belgium				
Single	100	0	0	0
Single with two children	78	0	22	0
Couple	100	0	0	0
Couple with two children	78	0	22	0
France				
Single	89	11	0	0
Single with two children	68	8	24	0
Couple	86	14	0	0
Couple with two children	70	8	22	0
Malta				
Single	89	11	0	0
Single with two children	68	8	24	0
Couple	86	14	0	0
Couple with two children	70	8	22	0
Latvia				
Single	76	24	0	0
Single with two children	57	18	25	0
Couple	100	0	0	0
Couple with two children	73	11	16	0

As can be seen from the table above the share of social assistance in the GMI package is lowest in Finland, with social assistance representing on average 10% of the total monthly income. In Finland, all households with unemployed members, apart from single-parent households, receive a considerable part of their income support from the institutional means-tested unemployment benefit. In contrast, in four other countries social assistance accounts for a much higher share of total income, especially for the two childless families: single persons and couples. For single parents and couples with two children family benefits are an important source of income. In Finland the share of family benefits is highest, whereas in other countries they compose on average 20% of all incomes.

Another significant component of the GMI package is housing benefit. In Finland, housing benefit represents the highest share of total assistance income. In France and Latvia, too, housing benefits play an important role for low-income families, since on average one fourth of all income derives from housing benefits.

Conclusions

In this chapter we have attempted to test the generosity of the schemes. The method used was a form of microsimulation, where the aim is to illustrate the schemes with the help of selected model families. The results of this exercise are summarised in a comparative table.

Table 11: Summary of the generosity of the schemes

	Generosity
Finland	The most generous, especially for families with children. The share of social assistance within the GMI package is low.
Belgium **France** **Ireland** **Malta**	Medium level of income. Single-person households are well protected. The impact of social assistance is significant.
Czech R. **Latvia** **Bulgaria**	The lowest levels of income. The equivalence scales for the families with children are the most generous.

Some concluding observations can be made on the basis of this comparison.

As expected, the western countries are more generous than their eastern European counterparts. The level of wealth as well as the development of social protection in these countries (measured as GDP per capita and the share of social security expenditure of GDP) match quite well with the provided level of minimum income. One interesting difference lies is the way the schemes treat different family types. The eastern European countries are more favourable to larger families and provide them with more generous levels than do the western European countries. Unfortunately we cannot draw any far-reaching conclusions on the effectiveness of different schemes as the data are severely lacking in most respects.

Chapter 5: summary and conclusions

On the level and nature of the problem

Income poverty and the wider problem of social exclusion have gradually become issues of political and social concern both in western Europe – in the context of the European Union – and in the central and eastern European countries.

In the European Union region, around 17 % of its citizens are living in income poverty. The poverty line definition used in this estimate is 60 % of equivalised income of the national median in 1996. The proportion of poor people is relatively high (over 20%) in Greece and Portugal, and low in Luxembourg, the Netherlands, Denmark, Austria and Sweden. In general, it is fair to say that income poverty correlates strongly with overall income inequality. Income inequality among the member states of the European Union is found to be relatively high in the southern (Mediterranean) countries and in the United Kingdom and Ireland, and lowest in Austria and the Scandinavian countries.

In the transition economies, income poverty is a rather new but very significant phenomenon. This is because under socialism, poverty resulting from unemployment was virtually non-existent because socialist policies and institutions promoted full employment. Since the transition process started around ten years ago the extent and nature of poverty has changed dramatically. Poverty in the transition economies has largely been caused by under-employment. Amongst the CEE countries considered in this study, Bulgaria and Latvia have every third citizen living in poverty.

Policy responses

The current social policy approach adopted by the European Union can be summarised in the form of a triangle which connects three policies : economic policy, employment policy and social policy. The aim is for all three policies to be in maximal interaction so as to reinforce each other. The objectives in each sector would be competitiveness and dynamism (economy), full employment and high quality of work (employment), and better social cohesion and high social quality of life (social welfare). Thus in today's thinking social protection policy is firmly linked to employment and general worldwide competitiveness. The most recent tool for tackling poverty in the context of a larger inclusion policy is referred to as the open method of co-ordination. Here the member states have prepared national action plans to combat poverty and exclusion, and based on them the Commission is preparing a European policy document by 2002.

In the CEE countries, policy development has somewhat paralleled elements in the European Union, although the point of departure is far removed from that of the mature welfare states. Firstly, in most of the CEE countries the social protection systems have been developed along the lines of the Bismarckian insurance model. The key implications of this choice are that (i) the role of the state has shifted (diminished) and (ii) the labour market has become the central element determining the living standard of citizens. The employment link is strong in the protection system and thus those outside paid labour are particularly vulnerable. Social risks have been individualised, and non-contributory social assistance schemes play only a minor role and suffer from poor targeting and lack of proper funding.

Amongst the countries under special consideration in this report poverty is seen as a matter of special political concern in Ireland and France (in the form of social exclusion), and to some degree in Belgium as well, but not in Finland, Malta, Latvia, the Czech Republic and Bulgaria. Political recognition thus does not clearly correlate with the magnitude of the problem. Of the western countries, Belgium, France and Ireland have developed specific anti-poverty programmes and/or distinct administrative processes to monitor and combat poverty, but not Finland, Malta or any of the CEE countries under study. Bulgaria, however, is an intermediate case because although it has a specific action plan, this remains without political adoption due to fiscal difficulties.

Poverty thresholds

Thresholds derived from the distribution of income (relative poverty lines) are the main rule in western European countries, whereas this type of definition is almost totally absent in the CEE case countries.

All the countries have adopted some kind of normative or political poverty threshold, but the main difference is that in the European Union countries the social assistance norm has been equalised to this kind of normative threshold whereas the CEE countries tend to use a variety of often rather complicated subsistence minimum definitions. One can thus conclude that in the CEE countries there is an obvious gap between words and deeds, or between policy discourse and actual policy. All three countries have put efforts into calculating and determining thresholds for subsistence minimum levels, but the linkages between these efforts and the actual levels of minimum benefits are far from being clear.

Benefits for combating poverty

In each country investigated in this study the primary social benefit for combating poverty is general social assistance, the aim of which is to guarantee at least the minimum level of subsistence for those individuals and households with an income below a pre-defined level. The eligibility conditions are stricter among the eastern European countries than in the west. This was especially apparent when examining the conditions of nationality and residence; the rules are more restrictive in the Czech Republic, Latvia and Bulgaria. Finally, the availability for work is more stressed amongst the eastern European countries, particularly in the case of Latvia and Bulgaria.

Generosity of minimum income

The generosity aspect of minimum income schemes in the eight countries was assessed by examining the monthly rates of benefits for fixed model families, and partially also by relating them to wage levels. The effectiveness of minimum income schemes was investigated in terms of their performance in reducing poverty.

Most generous are the minimum income schemes (measured in PPPs) in Finland and Malta. In general the western European countries offer higher basic protection than their eastern counterparts. The level of the basic guarantee correlates logically to the general wealth of states as well as to the development of social protection.

Regarding different family types it appears that the eastern European countries are more favourable towards families with children. The equivalence scales built into the schemes are far more generous for large families in Latvia, Bulgaria and Czech Republic than in western European countries, except for Finland.

In summary

We can summarise by condensing some of the major observations and findings of this comparative study in the following schematic picture.

Poverty – a political concern						
		YES	SOME	NO		
Level of Poverty	LOW		Belgium	Finland	HIGH	**Level of GMI**
	MEDIUM	France Ireland	Czech Republic	Malta	MEDIUM	
	HIGH			Latvia Bulgaria	LOW	

Here the individual countries have been positioned along the three different dimensions that formed the main framework of the study.

Although Bulgaria and Latvia experience the highest poverty levels, poverty is not a particular political concern in these countries, and the guaranteed minimum income schemes provide the lowest levels of income. Thus the extent of poverty in a country does not explain whether the issue of poverty is seen as central on the political agenda or not.

Finland and Malta represent countries where the actual poverty rate is modest, the GMI schemes are rather generous, and the whole issue is not of high political priority. Belgium, France and Ireland have taken the issue of social exclusion/inclusion seriously on the programme and procedural level, that is they have developed distinct legislation and/or measures to tackle the problem. The Czech Republic falls somewhat between the universal, full-coverage social-democratic model and the "neo-Bismarckian" eastern European model in that it displays a medium level GMI policy and a rather moderate level of actual poverty without focusing much political concern on the issue.

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