# MENDING NETS IN THE SOUTH

ANTI-POVERTY POLICIES IN GREECE, ITALY, PORTUGAL AND SPAIN

Manos Matsaganis[1], Maurizio Ferrera[2], Luís Capucha[3] & Luis Moreno[4]

[1] Department of Economics, University of Crete, Rethymno GR-74100, tel: +30-28310-77414, fax: +30-28310-77406, e-mail: manos@econ.soc.uoc.gr (*corresponding author*)

[2] Department of Social & Political Studies, University of Pavia & Centre for Comparative Political Research (POLEIS), Bocconi University, Milan

[3] Department of Sociology (CIES), Higher Institute for Business & Labour Studies (ISCTE), Lisbon

[4] Comparative Policy & Politics Research Unit (UPC), National Research Council (CSIC), Madrid

**Abstract**

The marginal role of social assistance and the absence of minimum income programmes have long been thought to constitute defining characteristics of the southern European model of welfare. Nevertheless, over the 1990s significant innovations in this field have taken place. The paper aims to contribute to the analysis of recent developments by critically examining the experience of anti-poverty policies in Greece, Italy, Portugal and Spain. It is argued that the "patchiness" of safety nets in southern Europe is due to a unique set of constraints, the most relevant of which are the role of families and the "softness" of state institutions. A review of national profiles reveals that new policies introduced in all four countries mark progress towards redressing some of the historical imbalances of that welfare model. In particular, fully-fledged minimum income schemes now operate in Portugal and in certain Spanish regions, while an experiment involving a number of Italian municipalities is still in progress. In view of this, the paper concludes that social safety nets in southern Europe remain frail in terms of institutional design as well as political support and legitimacy.

**Keywords**

Poverty, social assistance, minimum incomes, southern Europe

## Introduction

The reform of the welfare state, one of the most successful and resilient institutions of last century, continues to be a bitterly contested issue. As the debate on the future of the "European social model" gathers pace, attention is focused on pensions and other core programmes. In contrast, social assistance – the focus of this paper – remains a relatively neglected topic by policy makers and analysts, despite a recent emphasis on fighting poverty and exclusion. However, the powerful forces that drive welfare reform (namely, the slow transition from one type of labour market, family and social protection configurations to another) also work to increase the relative importance of social assistance within the welfare state as a whole.

The arguments are well rehearsed. The foundations of the "golden age of welfare capitalism" in the post-war era can no longer be relied upon. In particular, the end of "fordism" and the rise of the "new economy" have dealt a heavy blow to the labour market underpinnings of the welfare state (Esping-Andersen 2002). Social protection systems rested on the assumption that the (labour) market would provide steady incomes to most workers, so that the (welfare) state could limit itself to protecting those too old or too young to join the labour market, or those unable to do so because of illness or disability. However, the generalised expectation of lifelong employment, often with the same employer, has been replaced by rising insecurity, frequent job change, long unemployment spells or the spread of precarious work (Taylor-Gooby 2001). Where the bulk of social protection remains linked to occupational status, labour market instability often translates into poverty and exclusion (Ferrera et al. 2000).

While economic change undermined the labour market foundations of the "male breadwinner model", social change made the domestic arrangements underpinning it increasingly less prevalent. Higher age at marriage, fewer children per couple, increased marital instability and the other manifestations of the "crisis of the family" have undermined the traditional assumption of a working husband supporting a housewife and their two or more children. Traditional families often acted as a redistributive mechanism (pooling resources in favour of members in need), and as a provider of social services (directing female unpaid work to the care for children, the old, the sick). As modern families become less able (and perhaps, less willing) to perform such functions, the pressure to formal systems of social protection intensifies (Lewis 2001). Needless to add, demographic change compounds such pressure in the form of higher demands on pension, health and social care systems.

The rise of atypical careers and non-standard household forms put in question the capacity of current arrangements to support incomes and to prevent poverty. As the occupational attachment of workers and the family attachment of dependants required by conventional systems of social protection cease to be the norm, effective and well-designed social safety nets become the key to a successful strategy against poverty and exclusion. In the light of these trends, social assistance – the component of the welfare state best suited to poverty relief – is expected to rise in prominence (Saraceno 2002).

Social assistance in southern Europe has often been described as "rudimentary" (Gough 1996, Leibfried 1993). This is not entirely unjustified: after all, social safety nets there clearly lack the pedigree of their counterparts in northern Europe. Nevertheless, recent developments suggest that a more complex analysis may be due.

This paper aims to contribute to such an analysis by critically examining the experience of anti-poverty policies in Greece, Italy, Portugal and Spain. Its structure is as follows. The next section reviews constraints to creating effective social safety nets in southern Europe. Section three offers a brief account of policy innovations in the four countries. The paper concludes with a discussion of unresolved issues and their implications for future policy.

## Policy constraints

The issue of strengthened social safety nets has particular resonance in southern Europe. The marginal role of social assistance, identified as a key characteristic of south European welfare states (Ferrera 1996, Rhodes 1996), leaves their anti-poverty armour vulnerable. As 1996 data show, "social benefits other than pensions" reduce poverty by a mere 1 and 3 percentage points in Greece and Italy respectively, though their effect is stronger – but still below the European average – in Spain and Portugal.

[TABLE 1]

Poor anti-poverty performance is partly linked to limited reach of those in poverty: in Greece and Italy, where the problem is most serious, only 31% of persons in the lowest income quintile received "social benefits other than pensions" (Marlier & Cohen-Solal 2000). As this figure implies, many poor households are ineligible for social assistance because they fail to fulfil the narrow categorical conditions set out by the various programmes. Those affected include the long-term unemployed (whose eligibility to benefit has been exhausted), new entrants to the labour market (ineligible for unemployment insurance because never employed), the precariously employed (with no social entitlements to draw upon in the event of temporary loss of earnings) and others.

Descending into poverty through holes in the safety net is a common experience among immigrant workers and their families. Though registered foreign workers theoretically enjoy full social rights, illegal ones have nowhere to turn except to the emergency services provided by charitable organisations and/or by informal support networks operated within their communities (Baldwin-Edwards & Arango 1998). Among other factors, the "less eligibility" of immigrant workers is an inevitable effect of a social protection regime that continues to rely on formal employment, the insurance principle and the extended family. Seen in this light, the creation of an effective, universal safety net assumes additional importance, as it becomes instrumental for the enfranchisement of "outsiders" and the maintenance of social cohesion.

However, it is important to acknowledge that the "patchiness" of social safety nets in southern Europe is no mere symptom of a more general under-development of welfare institutions. On the contrary, the relative neglect of a comprehensive anti-poverty dimension has often coincided with the steady growth of total social spending. If anything, certain social programmes (for example pensions in Italy or Greece) are over-developed, to the point of crowding-out investment in other policy areas. Therefore, it is elsewhere that the causes of the low profile of social assistance in southern Europe must be sought: in the unique set of constraints that inhibit its development. The two most relevant of these are the role of the family and the "softness" of state institutions.

South European families historically functioned as an effective (though informal) safety net: a social "shock absorber" active across a whole range of policy areas such as child care, unemployment assistance, care for the elderly, housing or social assistance. There is evidence that resource pooling has intensified over recent years (Fernández Cordón 1997). Nonetheless, as the family itself comes under stress, its endurance as a provider of home-made welfare becomes uncertain (Moreno 2002). In any case, "familialism" is known to rely on unpaid female work: often caring for children or older relatives is only possible at the expense of erratic careers or full withdrawal from the labour market. Low rates of female employment, especially in Spain, Italy and Greece, clearly indicate the high social costs of the southern model of welfare (Saraceno 2000).

On the other hand, the delivery of targeted benefits requires a degree of administrative capacity that is often simply unavailable in southern Europe. Specifically, administrative systems suffer from low implementation capabilities, caused in part by a paucity of resources available to street-level administrators. Moreover, the low level of political autonomy of the administrative system in some parts of southern Europe may make it difficult for officers in charge of benefit delivery to stand up to external pressures. As a result, the relationship between benefit administrators and beneficiaries is in some parts of southern Europe mediated by "brokerage" structures. To these, one must add the poor integration of social assistance (administered by different authorities and subject to different rules) which has created a structure allowing eligibility overlaps and gaps in coverage.

Since social assistance benefits are typically granted on the basis of a means test, the ability of administrators to assess "need" with some degree of accuracy is an absolute requirement. In this sense, southern Europe presents a real challenge to social policy: a variety of factors such as extended households, high rates of self-employment, large informal economies and endemic tax evasion combine to create a peculiar situation. As a result of that, administrators may be unable to judge the material circumstances of applicants and thus their "real" eligibility to benefits (Atkinson 1998).

As the above implies, the construction of social safety nets in a context characterised by complex socio-economic patterns, low administrative capacity and persistent tax evasion faces specifically "southern" dilemmas (Addis 1999, Aguilar et al. 1995). As a result of these, a straight transfer of policy know-how from more highly developed systems of social assistance in the North would be incapable of offering satisfactory answers to such questions. In effect, policy makers in southern Europe are left with no alternative but to search for original solutions.

To a rather considerable extent, this is precisely what happened over recent years. The renewed emphasis on anti-poverty policies led to a range of policy innovations in south European social assistance in spite of the structural difficulties mentioned above. This policy shift is typified by the spread of minimum income schemes, the absence of which was thought to be a defining feature of the "southern model of welfare" (Gough 1996). The successful launch of *Revenue Minimum d'Insertion* in France in 1988 set in motion developments that led to the adoption of similar schemes throughout southern Europe. Variations of RMI were adopted in Basque Country in 1988, in Catalonia in 1990 and in other Spanish regions later. A national pilot scheme was introduced in Portugal in 1996 and became fully operational in 1997, while in Italy a formal experiment was started in 1998 and extended further in 2000. Only in Greece has this trend so far been resisted, but even there the issue of strengthening the safety net is gaining in visibility. These national policy trajectories are put in context and briefly reviewed below.

## National profiles

*Greece*

The restoration of democracy in 1974 ushered in a period of welfare state expansion, accelerated after the socialist landslide in the 1981 general election. The unprecedented growth in social spending was a response to the expectations nurtured by large sections of society over decades of politically motivated discrimination. Greece's accession to the European Community in 1980, widely considered to be a guarantee of political stability, legitimised aspirations for levels of income and social protection comparable to those enjoyed by other Europeans (Guillén & Matsaganis 2000).

Today, a high and rising level of social spending rapidly approaching the EU average is combined with a weak performance of social transfers in terms of poverty reduction. This apparent contradiction can be attributed to the nature of the country's system of social protection. Contributory social insurance is perfectly suited to "fordist" norms of long and uninterrupted careers. By the same token, the long-term unemployed, the young who have not yet worked, women with a patchy working history, individuals employed on temporary or part-time basis, illegal immigrants, workers in the shadow economy and others become "social insurance outsiders" who lose out in welfare terms, often heavily.

As a matter of fact, the welfare state in Greece places great emphasis on contributory benefits, with little provision for non-insurable social risks such as poverty, while social services remain at an early stage of development. As a consequence, while pensions account for the greatest part of social transfers, policies aimed to families with children, the disabled, the unemployed and others at risk of poverty are far less developed.

Social assistance has remained marginal. Benefits are poorly integrated, administered as they are by different agencies and subject to different rules. Their interaction leaves in place not a coherent whole, but an uneven structure that combines eligibility overlaps with coverage gaps. Given that non-contributory transfers are more naturally suited to the pursuit of anti-poverty objectives, the marginal nature of social assistance leaves a social safety net that in reality is full of holes, through which individuals and their families can slip into poverty. Poor households are ineligible for one of the existing benefits if they do not fit to the "identikit" imagined by legislators, failing to fulfil the narrow categorical conditions required.

The safety net in old age is patchy. Those with sufficient contributions are entitled to a minimum pension plus an income-tested supplement. Lower non-contributory pensions are paid to farmers and to those with low income and no other pension entitlement. No universal minimum guarantee is available. Partly as a result, Greece features a unique combination of high spending on pensions *and* high poverty in old age, at 13% of GDP and 35% of those over 65 respectively (Matsaganis 2002).

Fragmentation and incomplete coverage are evident in all other areas of social security. Unemployment benefit is contributory and of limited duration (12 months), as a result of which only 44% of registered unemployed claimed benefit in 1999. Income transfers to families are targeted to those with three children or more, so that poor children in smaller families receive little or no assistance. Disability benefits vary by condition and recipient status (10 categories and 22 sub-categories of benefit). Housing assistance is contributory and geared towards owner occupation, i.e. beyond the reach of the poor.

Overall, non-contributory benefits accounted for 16.3% of all spending on social security in 2001, while income-tested benefits for a mere 4.7%. The gradual phasing-out of basic farmers pensions since 1998 and the abolition of the income test on "many-children benefits" in 2002 (9.3% and 1.9% respectively of all expenditure on social security) will further reduce the space reserved to these two types of benefits within Greece's social protection system.

Yet, selectivity has become a fashionable idea since 1996, when the socialist government under a new leadership declared EMU membership an overriding aim, while pledging its commitment to a "cohesive society". Indeed, the concept of selectivity was hit upon as a rather obvious way to square the circle. The strategy yielded some early results (the income-tested pension supplement mentioned earlier), but soon ran out of steam, presumably for lack of obvious targets in a social protection system still dominated by contributory benefits.

The 2001 National Action Plan implicitly ruled out the option of minimum income, while at the same time reiterating a commitment to selectivity. Three new measures, to take effect from 2002, were announced. The most promising was unemployment assistance for older workers, paid for 12 months to long-term unemployed aged 45-65 in low-income families. Nevertheless, ten months after the scheme's launch only 711 of the 35000 unemployed workers officially expected to claim had actually done so. Very low take up beset another high-profile scheme, the social contribution rebate for minimum wage earners introduced in 2000.

On the whole, the "danger that some groups experiencing poverty may not be eligible for income support" (CEC 2001) remains largely undiminished despite some recent improvements. The absence of a last resort benefit, targeted in nature but universal in scope, remains a crucial missing link in the social safety net. Opposition to minimum income renders the anti-poverty armour of the social protection system vulnerable. While the administrative difficulties involved in implementing such a scheme must not be underestimated, the financial requirement could be modest: a simulation exercise put the cost of transfers under a minimum income programme in 2000 at €269 million or 0.23% of GDP (Matsaganis et al. 2001).

*Italy*

Poverty and social exclusion, marginal in the national debate and policy agenda in Italy before the 1990s, has gained increasing salience more recently. A standard diagnosis of the historical failings of *assistenza* has emerged, widely shared by political actors and social partners: high fragmentation, policy overlaps, a bias towards transfers (against services), marked territorial differentiation, the absence of a safety net of last resort.

In 1977 responsibility for social assistance was devolved to regional and local tiers of government. Guiding principles and general standards were left for consideration by a national framework law that would regulate social assistance, which was not issued until 2000. Laws passed by various regions allowed wide discretion at municipal level. Local minimum income schemes were the product of municipal initiative. Turin in 1978, Ancona in 1981, Catania in 1983 or Milan in 1989 introduced a non-categorical means-tested benefit known as *minimo vitale*, even though many other municipalities (such as Bari or Rome) did not.

At the national level, social assistance caters for specific categories such as the disabled and the elderly, but its role is marginal (6.4% of total social expenditure in 2000). Social assistance measures include civil invalidity pensions (*pensione di inabilità civile*, *assegno di assistenza*). These are non-contributory benefits, compatible with work activity, subject to a strictly individual income test. Social pension (*pensione sociale*) is a minimum benefit for those over 65 not entitled to an earnings-related pension, conditional on an income test. Following the 1995 pension reform, those covered by the new regime may be eligible for *assegno sociale* (a non-contributory benefit for those with inadequate resources and insufficient contributions). Care allowance (*indennità di accompagnamento*) is aimed for people needing continuous help because unable to care for themselves. It is conditional on a medical test but not on income. Over the years it has gained ground as a source of support to the frail elderly.

Moreover, low-income groups may be eligible for a number of social insurance benefits. Family allowance (*assegno per il nucleo familiare*) is a means-tested transfer paid to active or retired employees with family burdens. Benefit rates are directly related to family size and inversely related to family income. Pension supplements (*integrazioni al minimo*) are paid to those with benefits below the statutory minimum. Supplements require a contributory record of at least 15 years and are income-tested. Post-1995 entrants to the labour market are no longer eligible, but may be entitled to the new social allowance. Invalidity pensions (*pensione di inabilità*) require a contributory record of at least 5 years. In 1984 medical criteria were tightened and periodic reassessments introduced. Until then invalidity pensions operated as *de facto* minimum incomes, particularly in the South, and were hard currency for clientelist exchanges between politicians and voters (Ferrera 1996). In 1998 more than 3 million individuals claimed invalidity pension, nearly 90% of them since before the 1984 reform (Benassi 2001).

The concentration of resources on categorical and/or contributory benefits creates protection gaps at the bottom of the income scale. Things began to change in the mid-1990s, as various expert commissions recommended action to combat poverty and social exclusion. In particular, the Onofri Report (1997) provided a blueprint on which subsequent reforms of social assistance were eventually based. The report emphasised the need to enact national legislation on social assistance and the introduction of a national, non-categorical minimum income scheme. It also recommended phasing out some of the current social assistance programmes and establishing a new mechanism to determine the financial situation of claimants.

Significant innovations followed. *Indicatore della situazione economica* (ISE), a new set of rules to assess the material circumstances of potential claimants, was devised in 1998. ISE specifies how incomes and assets may be taken into account when assessing claims for means-tested benefits. The decision to take into account wealth as well as income mainly rested on practical considerations: it aimed to correct for the unfairness caused by tax evasion on the part of some categories of potential claimants (Baldini et al. 2002). ISE applies to two benefits introduced in 1998: *large family benefit* (targeted to families with three or more children) and *maternity allowance* (aimed at mothers ineligible for contributory maternity benefit). Moreover, in 2000 a new framework law reformed the institutional setting of Italian social assistance, according to principles of decentralisation and subsidiarity within national guidelines and performance standards.

The minimum income experiment began life in 1998. *Reddito minimo di inserimento* (RMI) consists of a monetary and an "activation" component: entitlement to cash assistance is conditional on participation in insertion programmes. Cash assistance amounts to the difference between the income guarantee adjusted for family size and the resources available to beneficiaries (disregarding family benefits, 25% of earnings, medical expenses and, in part, rent). Most beneficiaries (93%) lived in the South, where some municipalities devised ingenious ways to cope with the implications of the underground economy for income assessment. Overall, the first phase of the experiment (1998-2000) involved 34.7 thousand families in 39 municipalities. The budget law for

2001 extended the experiment for another two years and raised the number of eligible municipalities to 306.

The independent evaluation report the first phase of the experiment (IRS, Fondazione Zancan & CLES 2001) threw light on various aspects of the scheme. On the positive side, RMI – the missing pillar of Italian social assistance – breaks with a long tradition of categorical, discretionary income support to the poor that had proved ineffective as anti-poverty policy. Prior to 1998 residents in some participating municipalities were ineligible for any form of cash assistance even when in acute economic need. On this evidence, the generalisation of RMI throughout Italy (foreseen, though not in an automatic way, by the 2000 framework law on social assistance reform) may be considered as the logical next step. The same report estimated the cost of RMI at a national scale from €2.2 million to €3 million (0.18% to 0.24% of GDP) in 2001 – a significant but not excessive figure compared to other welfare programmes.

Two serious obstacles seem to be blocking the road to a full implementation of the minimum income scheme: the weak institutional capabilities of local administrations and the specific socio-economic environment of the Italian South. As similar schemes, RMI is demanding in terms of institutional capabilities and managerial skills. Moreover, there is a risk of functional overload: rather than a programme of last resort, RMI tends to become "the only game in town".

In view of the above, a substantial improvement of organisational capabilities at both the macro and the micro levels has to be coupled with a further effort to re-balance the existing menu of labour market and family/social policies. The proper institutional location of RMI is at the base of a system of cash transfers to the unemployed and to families with children or other dependants. Equally, the correct functioning of its insertion component rests on an articulated system of active labour market policies and family-supporting social services. Some echoes of this diagnosis can be found in the 2001 National Action Plan, though the plan falls short of spelling out policy implications, let alone precise commitments.

The new centre-right government seems disinclined to proceed to a generalisation of RMI. It has so far left the matter to the regions, refraining from either setting national standards or committing financial resources. As a consequence, recent moves towards implementing a minimum income programme in Italy are likely to remain incomplete for some time to come.

*Portugal*

Portugal joined the European Community in 1986, ending the long cycle of backwardness begun 58 years earlier with the conservative-corporatist dictatorship of the *Estado Novo*. Until then, neither universal social protection nor a public health system existed (Viegas & Costa 2000). During the dictatorship, in particular, poverty (affecting 40% of the population) was not a policy concern. The democratic revolution of 25 April 1974 introduced a set of social rights and institutions formally defining a modern welfare state. However, the adverse conditions in the ensuing period limited the financial and institutional resources needed to put the newly created social policies into practice. Measures to fight poverty (30% in the 1980s), remained scarce and social assistance fragmented.

In 1984 social protection was reorganised. A framework law defined the basis of social security as foreseen in the Constitution setting out a three-level structure. The general regime provided contributory benefits to workers and their dependants, while the non-contributory regime and social assistance catered for interventions not allowed for under the general regime. Anti-poverty policies received a boost from Portuguese participation in the 1986 II European poverty programme that favoured action-research projects targeted to specific groups. Its stress on participation made it adaptable to the local development methodology used at that time. From then on, anti-poverty policy relied on a territorial integrated approach and partnerships at national and local level (Almeida et al. 1994).

By 2000 when social security legislation was revised, the level and composition of social expenditure approached the European average. The new law aimed to raise benefits and to ensure the sustainability of social security by reinforcing the public pension fund and by ascribing responsibility for social assistance to the national budget. The reform was supported by an agreement with all social partners except the Industrial Employers Federation CIP. The law built on a new generation of social policies, launched in 1995. These intended to "activate" individuals but also institutions, through an individualised approach to citizens' needs and conditions.

The minimum income scheme *Rendimento Mínimo Garantido* (RMG) was undoubtedly the flagship of these new policies (Capucha 1998). In the run up to the 1995 general election, a high-profile debate on Council Recommendation 92/441 on sufficient resources (issued during the Portuguese presidency of the EU) put poverty at the centre of the political agenda. The incoming socialist government introduced RMG on an experimental basis in 1996 and extended it nation-wide on 1 July 1997.

The simplest description of RMG is as a contract: it provides income support in the form of a non-contributory benefit to guarantee a minimum living standard, in exchange for a commitment to participate in a social integration programme. The innovative character of RMG lies in that provision of cash assistance is combined with participation in a range of activities involving integration into the labour market, return to education, vocational training, access to health services, housing interventions etc. The programme is open to all legal residents in situation of proven acute financial hardship. Beneficiaries must be at least 18 years, except for younger parents or pregnant women or carers of older people with disabilities.

RMG offers a differential cash allowance, equal to the difference between the assessed net income and the guaranteed amount for each household type. The latter is equal to the social pension for each of the first two adults in the household, with increments of 70% for any additional adult and 50% per dependent child. The calculation of household resources excludes family allowances, student grants. To ease integration in the labour market, 20% of earnings from work or training is also disregarded (raised to 50% in the first year). Since RMG is subsidiary to other social benefits, participants are required to claim first any benefit they may be eligible to. Benefit is initially awarded for a year, with the possibility of automatic renewal if beneficiaries continue to meet the requirements. Social workers from local social services access the material circumstances of claimants. Substantial discrepancies between actual and reported incomes lead to adjustment or even termination of benefit.

The social worker in charge of each claimant produces an individual report, which must include a description of the problems faced by the household and propose a "integration plan". This takes the form of an agreement signed by the social worker on behalf of the local monitoring committee and the members of the household. The agreement specifies the tasks to be accomplished by beneficiaries and the support given by local institutions. The agreement may be renegotiated with the beneficiary if it is unsuitable or needs to be amended. Access to benefit is conditional on participation in the integration plan and the whole process is legally binding.

By December 2001, 752 thousand persons (7.5% of total population) had at some time participated in the programme, of which 354 thousand (3.6% of population) were still in receipt of benefit. A significant number of beneficiaries seem to have been reintegrated into society after a period of receiving minimum income assistance: of the 398 thousand persons who left the programme, 258 thousand did so because no longer in a situation of acute need. Total expenditure on minimum income benefits reached a peak of €284 million (0.25% of GDP) in 2000 and fell back to €235 million (0.19% of GDP) in 2001.

Two difficulties have been identified: the first concerns the ability to control fraud, the other activation for labour market participation (including the quality of insertion plans provided by institutions). Evidence shows fraud to be insignificant, in spite of the hype surrounding the few cases actually detected. Work disincentives are also limited, since benefit values are low and activation measures act as an effective screening device. On the other hand, the scheme faces a shortage of human resources, as the individualised approach and the need to monitor the complex process of reinsertion places a heavy burden on a limited number of social workers.

RMG became once again the subject of a political debate in the course of the 2002 election campaign. Although abolishing RMG was not on any political agenda, the need to cut public expenditure and the risk of a poverty trap were used to argue in favour of changes in the scheme. As a matter of fact, the centre-right coalition that had severely criticised the minimum income programme emerged victorious from that campaign. Significantly, the new government accepted the principle of a universal right to minimum income. Some minor changes to the scheme were nevertheless put forward. First, the scheme was renamed Social Insertion Income (RSI) to stress "activation". It is also expected that eligibility criteria will be tightened and new mechanisms to limit fraud will be introduced. The Constitutional Court has judged some proposals to tighten criteria as unconstitutional. On the whole, the essential traces of the scheme's design are likely to remain unaltered for the time. Future challenges could derive from budget constraints depriving the scheme from vital human resources.

*Spain*

Social assistance under the Franco dictatorship was meagre. Church and family were the main providers of welfare to the needy. The democratic Constitution of 1978 inaugurated a period of institutionalisation of social services and assistance. The *Carta Magna* left basic legislation and social security in the domain of central government, but social assistance became an "exclusive" competence of the 17 *Comunidades Autónomas* (regions). These immediately claimed several functions with respect to social assistance in their constitutional charter. In 1982-93 regional parliamentary acts established social services open to all citizens.

In 1987, an agreement between central, regional and local governments resulted in the approval of the "concerted plan for the development of basic provision of social services by the local authorities", that promoted administrative co-operation between the three tiers of government. In 1988 (taking effect from 1990), old age and disability pensions were universalised, forming a fundamental component of the social safety net. Non-contributory benefits became available on a means-tested basis to the elderly, the disabled and to low-income families with dependent children. Earlier, unemployment assistance had been introduced in 1984 as a response to mounting joblessness.

Meanwhile, the regions began to implement minimum income programmes (*Rentas Mínimas de Inserción*) along the lines of the French RMI. The first such programme was introduced in Basque Country in 1989, the last in the Balearic Islands in 1995. Regional programmes have a common purpose, but differ with respect to adequacy, coverage or means to achieve social integration of programme beneficiaries – a point to which the paper returns later on.

In April 1995, a report on the "analysis of the structural problems of the social security system and of the main reforms required", undersigned by all main political parties and trade unions as the "Toledo Pact", was ratified by the Congress of Deputies and became law. Its provisions included a clearer separation of contributory and non-contributory benefits, as a result of which universal health and social services and means-tested social assistance became fully financed through general taxation, while a reserve fund was also created within the contributory regime to strengthen its future viability. Recent reforms were geared towards the "activation" of claimants, the adoption of stricter criteria of access to unemployment assistance and the establishment of a personal and family minimum allowance in the form of a refundable tax credit. The main forms of cash assistance currently available to low-income citizens are briefly described below.

Income-tested pension supplements (*complementos de mínimos de pensiones de la seguridad social*) raise contributory pensions to a legally established minimum. The supplements apply to over 30% of all contributory pensions (paid to 2.4 million people in 2000). Unemployment assistance (*subsidios de desempleo*, *subsidio de desempleo agrario* and, more recently, *renta activa de inserción laboral*) is provided on a means-tested basis to approximately 600 thousand jobless workers whose eligibility to contributory unemployment insurance has been exhausted. Non-contributory pensions for old age and disability (*pensiones no contributivas de la seguridad social*, *pensiones asistenciales* and *subsidio de garantía de mínimos*) can be claimed by low-income individuals with insufficient contributory record. In 2000, over 620 thousand people received one of these pensions. Family benefits (*prestaciones familiares de la seguridad social*) are available to those with dependent children. Benefit amounts were increased in 2000 and new benefits were introduced (birth grants for the third or successive children and in the event of multiple births), but their impact remains rather limited. Finally, minimum income programmes (*rentas mínimas de inserción*) are operated at regional level as a safety net of last resort. Approximately 80 thousand families with 200 thousand members (0.5% of population) benefited of these programmes in 2000.

[TABLE 2]

Regional minimum income programmes differ in benefit adequacy and the nature of "insertion" required of beneficiaries. Only the Basque scheme can be considered a genuine minimum income programme. Well-developed schemes also operate in Madrid and Catalonia. At the other extreme, some regions provide minimum income programmes of limited coverage at a low level, or merely offer temporary employment in "socially useful" projects (Aguilar et al. 1995).

In 2000, the basic monthly rate (for beneficiaries living alone) varied from €239 in the Canary Islands to €305 in the Basque Country and €319 in Extremadura and Navarre (for comparison, the minimum wage worked out at €496 and non-contributory pensions at €288 per month). Adjustments for family size are made according to flat equivalence scales (the presence of an additional member may increase the allowance granted to the household by up to 30% of the basic rate), while total benefit amounts are subject to a maximum limit. Total expenditure on minimum income benefits reached €210 million (0.03% of GDP) in 2000. At the regional level, expenditure varied from €337 thousand in La Rioja (below 0.1% of the regional budget), reaching €53 million in the Basque Country (over 1% of the regional budget). Catalonia, Andalusia and Madrid spent between them €89 million (Arriba & Moreno 2002).

Future prospects for minimum income programmes are uncertain. Their implementation contributed to the legitimacy of the new *Comunidades Autónomas* and was favoured by fiscal federalism: from 3% in 1981, regional spending accounted for as much as 33% of all public expenditure in 2001. Regions have been able to integrate social services and social assistance into common local networks of provision, but most programmes suffer from chronic underfunding. Moreover, their decentralised nature risks exacerbating regional disparities in welfare provision, though top-down harmonisation can hardly be regarded as a viable option in a federalised country like Spain (Moreno 2003). Still, in a not-too-distant future, regions could face the dilemma of either requesting co-funding from central government or limiting the scope of existing programmes.

The 2001 National Action Plan was an important occasion for intergovernmental co-ordination, providing the first synthetic overview of the fight against social exclusion in Spain. It remains to be seen whether the next rounds of this process will be a source of fresh ideas (and, possibly, funds) to sustain the efforts of all stakeholders involved.

## Conclusion

As the preceding discussion illustrates, south European countries differ among them both in terms of the design of anti-poverty policy and the institutional configuration in which such policy operates. Yet they continue to form a distinct cluster as all four face a similar set of challenges, pointing to a common social policy agenda.

In contrast to the stagnation of previous decades, the 1990s have definitely witnessed significant and promising policy innovations in the field of poverty and social exclusion in southern Europe. The new targeted benefits and services, introduced in all four countries, moved in the right direction: they filled some – often the most macroscopic – of the traditional gaps in coverage, going some way towards the necessary reallocation of social expenditure towards the most needy.

Without doubt, EU initiatives played a significant role in prompting such recalibration. The influence of Council Recommendation 92/441 has already been noted. The 2001 National Action Plans for Social Inclusion were in all four countries the occasion for the first serious attempt at formulating a comprehensive diagnosis of current challenges and existing policies. The increased attention towards "social minima" and the safety net has been encouraged by the EU discourse on cohesion, inclusion and guaranteeing sufficient resources (Ferrera et al. 2002).

The drive to establish effective minimum income guarantees moved at different speeds and along different paths in the four countries. Portugal successfully implemented a national rights-based scheme. Spain followed a decentralised approach: in some regions minimum income is a legal right, but others have adopted a more cautious, discretionary approach within limited resources. The Italian pilot scheme was launched with a view to subsequently establishing a national guarantee: the experiment still goes on, though the destination seems more uncertain. Greece, on the other hand, seems so far unable to go beyond the level of policy debates: the option of introducing some form of minimum income guarantee is still considered too contentious.

[TABLE 3]

Strengthening the social safety net raises the question of the most appropriate level for action. This is especially relevant in Spain and Italy, where the issue is intertwined with the wider debate on subsidiarity and decentralisation. While this undeniably opens up new opportunities for innovation and virtuous experimentation at the regional level, it also raises the risk of perpetuating, even reinforcing, traditional gaps and disparities. On balance, the Spanish experience leans towards the former, whereas Italy's emerging scenario points to the latter.

On the whole, the verdict must remain open: in spite of positive developments in the 1990s, south European safety nets still remain rather frail – in terms of institutional design as well as political support and legitimacy. This weakness should be cause for concern: as the traditional capacity of families to respond to social needs declines, the pressure on formal social protection will inevitably intensify. Meeting this challenge will certainly require a substantial effort to upgrade administrative capabilities, though the fiscal cost of strengthening safety nets is likely to remain modest.

The future of anti-poverty policies and, in particular, minimum income programmes will ultimately rest on political considerations. These programmes are vulnerable because so are their beneficiaries. Sustaining the momentum for reform depends on the ability and strength of transversal coalitions in their favour. At this moment, it can only be hoped that the efforts of recent years to weave and mend social safety nets in the South are not discontinued: social protection outsiders are still too many and still too poor.

Table 1: **Selected social indicators**

| | *year* | Greece | Italy | Portugal | Spain | EU-15 |
|---|---|---|---|---|---|---|
| GDP per capita (€ thousand) | *2001* | 12.0 | 21.0 | 11.9 | 16.2 | 23.2 |
| social expenditure (% GDP) | *1999* | 25.5 | 25.3 | 22.9 | 20.0 | 27.6 |
| poverty before social transfers[i] | *1998* | 23 | 23 | 27 | 25 | 26 |
| poverty after social transfers | *1998* | 22 | 20 | 20 | 19 | 18 |
| distribution of income (S80/S20)[ii] | *1998* | 6.5 | 5.9 | 7.2 | 6.8 | 5.4 |
| people in jobless households | *2000* | 4.2 | 5.0 | 1.2 | 5.1 | 4.5 |
| unemployment rate | *2000* | 11.1 | 10.5 | 4.1 | 14.1 | 8.2 |
| youth unemployment rate | *2000* | 29.6 | 30.8 | 8.9 | 26.2 | 16.2 |
| female employment rate | *2000* | 41.2 | 39.6 | 60.3 | 40.3 | 54.0 |

Notes: [i] Other than pensions.
[ii] Ratio of income shares earned by the top and bottom quintiles.
Source: CEC (2002).

Table 2: **Minimum income programmes** (2000)

| | Greece | Italy | Portugal | Spain |
|---|---|---|---|---|
| income guarantee (€ per month), single person | *148*[a] | 268 | 125 | 286[e] |
| income guarantee, couple + 2 children | *444* | 660 | 374 | 386[e] |
| number of beneficiaries (thousand) | *700* | 86[b] | 418 | 202 |
| number of beneficiaries (% population) | *6.4* | 3.6[b] | 4.2 | 0.5 |
| cost of minimum income scheme (€ million) | *269* | 220[c] | 284 | 210 |
| cost of minimum income scheme (% GDP) | *0.23* | *0.22*[d] | 0.25 | 0.03 |

Notes: [a] All figures listed for Greece, where no minimum income programme operates, are estimates from a simulation exercise of the likely effects of such programme (reported in Matsaganis et al. 2001).
[b] Number of beneficiaries (and percentage of local population) in the 39 municipalities participating in the first wave of the minimum income experiment.
[c] Cost of the scheme in the 39 municipalities over the two-year period ending 31 December 2000.
[d] Mid-point estimate of total cost in 2001 (% of GDP) if the scheme were generalised throughout Italy.
[e] Value of minimum income benefit in Catalonia.

Source: FIPOSC final report.

Table 3: **Low-income benefits** (2002)

| | Greece | Italy | Portugal | Spain |
|---|---|---|---|---|
| unemployment insurance (minimum rate) | 265[a] | [g] | 390 | 442[a] |
| unemployment assistance | 150[b] | n.a. | 312[d] | 332[a] |
| contributory minimum pension (aged 70) | 474[ac] | 516[h] | 190 | 386[ad] |
| non-contributory social pension (aged 70) | 156[ad] | 516[h] | 138 | 259[d] |
| family allowance (1 child aged 7) | n.a.[e] | n.a.[e] | 26 | 24 |
| family allowance (3 children aged 10, 7 & 4) | 141[f] | 110[i] | 92 | 73 |

Notes: Figures are monthly benefit (in €). Benefits paid 12 times a year unless otherwise indicated. Rates for low-income worker or family where benefits vary by level of wage or income.
[a] Paid 14 times a year.
[b] Only available to workers aged over 45.
[c] Pensioner solidarity supplement included.
[d] Rate for beneficiaries with no dependents.
[e] No general scheme. Contributory allowances available to families of dependent workers.
[f] Only available to families with a third child aged below 6.
[g] Ordinary unemployment benefit paid at 40% of reference earnings (no mimimum rate).
[h] Paid 13 times a year.
[i] Large family benefit only. Contributory allowance not included.
Source: MISSOC 2002, FIPOSC final report.

## References

Addis E. (1999) Gender in the reform of the Italian welfare state. South European Society & Politics 4 (2) 122-150.

Aguilar M., Laparra M. & Gaviria M. (1995) La caña y el pez: el salario social en las comunidades autónomas 1989-1994. Madrid: Foessa.

Almeida J.F., Capucha L., Costa A.F., Machado F.L., Nicolau I. & Reis E. (1994) Exclusão social, factores e tipos de pobreza em Portugal. Oeiras: Celta Editora.

Arriba A. & Moreno L. (2002) Poverty, social exclusion and "safety nets". UPC Working Paper 02-10. Madrid (www.iesam.csic.es/doctrab).

Atkinson A. (1998) Poverty in Europe. Oxford: Blackwell.

Baldini M., Bosi P. & Toso S. (2002) Targeting welfare in Italy: old problems and perspectives on reform. Fiscal Studies 23 (1) 51-75.

Baldwin-Edwards M. & Arango J. (ed.) (1998) Immigrants and the informal economy in southern Europe. South European Society & Politics 3 (3).

Benassi D. (2001) Le politiche nazionali contro la povertà in Italia. Rapporto per la Commissione di indagine sull'esclusione sociale. Rome: Presidenza del Consiglio dei Ministri.

Capucha L. (1998) Rendimento Mínimo Garantido: avaliação da fase experimental. Lisboa: CIES/MTS.

CEC (2001) Draft joint report on social inclusion. Communication from the Commission. COM (2001) 565 final.

CEC (2002) The social situation in the European Union. Luxembourg: Office for Official Publications of the European Communities.

Esping-Andersen G. with Gallie D., Hemerijck A. & Myles J. (2002) Why we need a new welfare state. Oxford: Oxford University Press.

Fernández Cordón J.A. (1997) Youth residential independence and autonomy: a comparative study. Journal of Family Issues (6) 576-607.

Ferrera M. (1996) The "southern model" of welfare in social Europe. Journal of European Social Policy 6 (1) 17-37.

Ferrera M., Hemerijck A. & Rhodes M. (2000) The future of social Europe: recasting work and welfare in the new economy. Oeiras: Celta Editores.

Ferrera M., Matsaganis M. & Sacchi S. (2002) Open co-ordination against poverty: the new EU "social inclusion process". Journal of European Social Policy 12 (3) 227-239.

Gough I. (1996) Social assistance in Southern Europe. Southern European Society & Politics 1 (1) 1-23.

Guillèn A. & Matsaganis M. (2000) Testing the "social dumping" hypothesis in southern Europe: welfare policies in Greece and Spain during the last 20 years. Journal of European Social Policy 10 (2) 120-145.

IRS, Fondazione Zancan & CLES (2001) Valutazione della sperimentazione del Reddito Minimo di Inserimento. Rome: Presidenza del Consiglio dei Ministri.

Leibfried S. (1993) Towards a European welfare state? In: C. Jones (ed.) New perspectives on the welfare state in Europe. London: Routledge

Lewis J. (2001) The decline of the male breadwinner model: the implications for work and care. Social Politics 8 (2): 152-70.

Marlier E. & Cohen-Solal M. (2000) Social benefits and their redistributive effect in the EU. Statistics in Focus (Theme 3 9/2000). Luxembourg: Eurostat.

Matsaganis M. (2002) Yet another piece of pension reform in Greece. South European Society & Politics 7 (3).

Matsaganis M., Papadopoulos F. & Tsakloglou P. (2001) Eliminating extreme poverty in Greece. Journal of Income Distribution 10 (1-2) 40-57.

MISSOC (2002) Social protection in the EU member states and the European Economic Area (http://www.europa.eu.int/comm/employment_social/missoc).

Moreno L. (2002) Mediterranean welfare and "superwomen". UPC Working Paper 02-02. Madrid (www.iesam.csic.es/doctrab).

Moreno L. (2003) Europeanisation, mesogovernments and safety nets. European Journal of Political Research 42 (2) 185-199.

Onofri Report (1997) Commissione per l'analisi delle compatibilità macroeconomiche della spesa sociale (Relazione Finale). Rome: Presidenza del Consiglio dei Ministri

Rhodes M. (1996) Southern European welfare states: identity, problems and prospects for reform. South European Society & Politics 1 (3) 1-22.

Saraceno C. (2000) Italian families under economic stress: the impact of social policies. Labour 14 (1) 161-183.

Saraceno C. (2002) Social assistance dynamics: national and local poverty regimes. Bristol: Policy Press.

Taylor-Gooby P. (ed.) (2001) Welfare states under pressure. London: Sage.

Viegas J. & Costa A.F. (2000) Crossroads to modernity: contemporary Portuguese society. Oeiras: Celta Editora.

**Acknowledgements**

This article draws on the findings of the project "Fighting poverty and social exclusion in southern Europe: dilemmas of organisation and implementation" (FIPOSC), funded by the European Commission (HPSE-CT-2001-60020). The authors would like to thank Ana Arriba, Francesca Bastagli, Teresa Bomba, Teresa Buil, Rita Fernandes, Giselas Matos and Stefano Sacchi for their contribution to the country reports, and all participants in the FIPOSC seminar (Milan 23-24 May 2002).