Minimum income standards in enlarged EU: Guaranteed Minimum Income Schemes

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Disclaimer

The Project

This two year Transnational Project '*Setting Minimum Social Standards Across Europe*' was initiated by partners in seven European states, co-ordinated by EAPN Ireland, to study whether an EU role in setting social standards would strengthen the fight against poverty, particularly in the Open Method of Coordination in the field of social inclusion, and if so how this can be best done. The partners include national and regional Government, research bodies and NGO partners in Ireland, Finland, Flanders (Belgium), Norway, Hungary, Bulgaria and Catalonia (Spain) as well as two European-level organisations.

The above questions are particularly topical in view of the public unease with the imbalance between the economic and the social sides of the EU, the debates on the EU 'Services Directive' and fears that enlargement and globalisation might lead to a social "race to the bottom". It is also timely with the consultations on the recent Commission Communication on active inclusion for people furthest from the labour market and will attempt to influence the impact assessment of EU basic requirements on measures to promote the integration of persons excluded from the labour market.

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A. Definitions and concepts

As always when entering into a comparative perspective it is first convenient to fix some common concepts and definitions in order to ensure that we are all talking about the same thing. We will first briefly introduce some key concepts that have to be taken into account in our discussions on minimum social standards in order to better understand what is at stake in this debate and what influences the diverse visions of this issue.

Minimum income standards

Let us first remember some elements discussed extensively in the first working paper[1] produced by the Observatoire social européen for this project concerning the issue of adequacy of standard, with a focus on income related minimum standards. According to Veit-Wilson, a minimum income standard (MIS) has to be understood as an abstraction, a set of qualities for making judgements, in this case on the adequacy of income: "*a Minimum income standard (MIS) is a political criterion of the adequacy of income levels for some given minimum real level of living, for a given period of time, of some section or all the population, embodied in or symbolised by a formal administrative instrument or other construct*". (Veit-Wilson, 1998:1)

A minimum income standard is thus a broader concept than certain specific minimum incomes, such as GMI. *It is essentially a policy-tool that can be applied as a benchmark of adequacy of various welfare provisions or other socially defined minimums*, such as minimum wage, minimum State pension or minimum social benefits. It is used by policy makers and administrations as a benchmark for the assessment of the level of income which reflects the national or regional political and social consensus on an arbitrary limit under which income of individuals and/or households is considered as insufficient to live decently according to society's standards or to meet their basic needs. The MIS could be used as the direct reference for the level of income of a specific provision or be itself the reference for another provision. For instance, in various countries the level of guaranteed minimum income is set as a fraction of the minimum wage or minimum State pension.

The MIS is not intended to be a scientific measure of poverty even if a scientific measurement of poverty may be involved in its definition. Veit-Wilson underlines the way the different discourses[2] on poverty among countries affect the choice of MIS by governments. Among the different discourses (and their limitations in terms of adequacy definition) he distinguishes various approaches (and measurements) of poverty:

- Deviation from the average level of living (but without searching for income levels at which this becomes intolerable);
- Statistical inequality (but no information on when the distribution of income becomes unacceptable);
- Social exclusion (without being able to define what level of income causes it);
- Concepts drawn from economic theory (without consideration on how it relates to people's own appreciation of adequate minimum income).

These different approaches of poverty lead to different types of governmental minimum income standards which reflect their values, discourses and assumptions about:

- *Stratification*, when MIS reflects adequate income for all citizens against only for lower-status groups;

[1] Available on the EAPN website.
[2] Here a discourse has to be understood as a package of values, ideas, technical language and power made by those in power to decide the "right" way.

- *Minimum wage or minimum social benefit*: whether the MIS is related to people's expected "normal" source of income (mainly work but also family/household transfers or capital) and the maintenance of living standards, or only by reference to a State responsibility of residual income maintenance in absence of earnings;
- Conception of MIS in terms of *budget standards* (composition and cost), or *attitudinal standards* (structured around a political and/or public consensus on what is a minimum tolerable level of income), or also *statistical standards* (in relationship with other indicators of level of living).

In this paper we will focus on one of these MIS, the 'guaranteed minimum income' (GMI), which is of particular relevance in the fight against poverty and social exclusion, or at least its alleviation. We will discuss GMI in more depth later in this section so let us just briefly describe it here as an income provided by welfare states to individuals and/or households who are not able to ensure by themselves a sufficient income socially recognised as necessary to live decently or meet basic needs. It is provided through specific and universal last-resort schemes (safety nets).

Before beginning discussions on guaranteed minimum income provisions in social assistance schemes it is necessary to first highlight another minimum income standard which is of common use nowadays and plays a central and socially recognised role in European societies labour markets but also normally in the tackling of poverty and social exclusion: the **minimum wage**[3].

Minimum wage

In the vast majority of EU countries there are statutory minimum wages which lay down a specific rate of floor wage applicable across all sectors. In the remaining countries, minimum wages are laid down exclusively by collective agreements, some of which have been officially declared generally binding while in other countries a mixed model exists whereby minimum wages are governed in some sectors by collective agreements and in others by law. Although sometimes confused with guaranteed minimum income in some discussions and proposals, especially in the framework of EU social model demands underpinned by fears of cheap labour and social dumping after enlargement, we must first establish a clear distinction between both types of incomes. Minimum wage is a work-related earning and not a social protection or a universal safety net allocation, as such it is provided only to workers and not to all citizens. The same occurs for unemployment benefits or other social protection benefits related to the work status of individuals. Minimum wages are regulated through a (relatively) well established procedure (social dialogue) and generally set at national level but also sometimes at economic sector or even firm levels. As for other incomes, wages depend exclusively on national level, being excluded from the field of discussion of the European social dialogue through a specific article of EU Treaty (art. 137).

In 2005, 18 of the 25 EU Member states have a national statutory minimum wage (BE, CZ, EE, ES, GR, FR, IE, LV, LT, LU, HU, MT, NL, PL, PT, SN, SK, UK), as well as Bulgaria and Romania, with very different levels, ranking from 72 euros/month in Romania to 1467 euros/month in Luxembourg for a full-time worker. In comparison with the average monthly gross earnings in Industry and Services, the minimum wages represent only less than 40% of the average wage in a majority of countries (EE, SK, PL, UK, ES, CZ, LT, LV, RO, HU) while in

[3] Other MIS of current use in European countries are generally categorical (minimum pension, minimum allowance for disabled, survivors,…) and related to mainstream social protection schemes. We will not discuss it in this paper but we must nevertheless underline that they play also a crucial role for the appreciation of decent living standards and the setting of guarantee minimum income schemes in certain countries (for instance minimum social pension in Luxembourg or unemployment benefits in Denmark).

the other countries they are between 40 to 52%. Thus, minimum wages are de facto low wages if we consider the threshold generally used by academics and institutions to assess low wages (2/3 of average/median wage). The share of workers earning minimum wages is low in comparison with the whole group of full-time workers, varying from less than 5% in the majority of countries to around 15% in a few others (RO, FR, LV, LU). Nevertheless, this picture could change if we include part-time minimum wage earners as well as low-paid workers[4]. Women are clearly predominant among the workers with minimum wages (excepted in Hungary) (Regnard, 2005).

But beyond this distinction there are wider relationships between both issues that have to be taken into account in discussions on minimum income standards. The minimum wage is used by various countries as the benchmark reference for GMI, which is set as a proportion of the minimum wage (NL, LU, MT, SK, RO), and is clearly a minimum income standard as defined by Veit-Wilson (see WP I). As minimum income should do for decent living standards, the minimum wage is considered not only as a minimal yardstick for a decent level of work remuneration, but also indirectly of a decent level of living standards, as these are socially considered to be mainly ensured through work earnings. For policy makers and social partners its main aims are the regulation of labour markets, wage costs and distribution, but it is also the expression of a minimum floor ensuring a decent life, although this is not clearly expressed and formalised in discussions and setting procedures used by social partners and governments.

The minimum wage is also a key feature in the tension established between social benefits and labour earnings in the neo-liberal economic approach[5] (so-called ‘Make work pay’ policies) of labour markets, which attributes full responsibility of unemployment to the ‘too generous’ social protection schemes and tax policies and their supposed ‘disincentive’ effects on a supposed ‘rational’ financial choice of unemployed persons and social assistance recipients between (high) benefits and (low) earnings, confining them in unemployment, inactivity and/or poverty ‘traps’. In other words, if people are not working it is not because of economic and labour markets conditions (lack in the supply side to provide available quality jobs for instance) but only because they choose to do so, preferring ‘leisure’ to work. Although no empirical evidence confirms the validity of this assumption[6], this quite stigmatising discourse is increasingly present in the European policy field, notably through the Broad Economic Policy Guidelines and in the framework of the revised streamlined Lisbon Strategy, underpinned by the paradigmatic shift from ‘passive’ to ‘active’ conceptions of social protection happening in our societies in the last decade (Peña Casas 2004, Pochet and Vielle 2005). In a broader perspective it underpins also the narrow ‘growth – employment - inclusion through work’ triangular relationship increasingly predominant in the discourses at European and national levels on social ‘inclusion’ or ‘integration’ or rights versus obligations.

Minimum wage should play a key role in the fight against poverty, ensuring that work-related earnings are sufficient to avoid poverty, and thus that employment is really the best protection against poverty, at least from a monetary perspective. Unfortunately, this is not always the case and the working poor (worker(s) living in households under the poverty line) are becoming an

[4] In 2000, low-paid workers represent around 10% of workforce in many countries, rising to a level between 15 to 20% in certain countries (UK, IE, DE, FR, NL, ES and IT). Again, there is a strong predominance of women (20% for EU15 vs 10% for men), young and low-skilled workers and temporary contracts. Low-paid work is particularly high in certain economic sectors such as hotels/ restaurants and agriculture where around 40% of workers are low-paid (European Commission, 2004, Employment in Europe, Luxembourg)

[5] This theory has been notably ‘popularised’ by Milton Friedman and its Chicago neo-liberal school since the 60s.

[6] On the contrary, countries with high levels of social or unemployment benefits are among those having the highest employment rates in EU, such as Denmark, Sweden or The Netherlands. It is only in UK that a high employment rate coincides with lower levels of social benefits.

increasing reality in Europe nowadays (Peña Casas and Latta 2004). In terms of poverty alleviation, minimum wages are a major issue as many of the people on social benefits who (re)enter the labour market do so at minimum wage floor level, thus the adequacy of minimum wage in relation to poverty thresholds should be carefully taken into account. Nevertheless, we need to keep in mind that minimum wage is only a dimension of the complex link between work and poverty, and issues such as the job working conditions, working time and contract duration and more generally quality of employment[7] are also very important factors to consider.

Minimum wage may also be seen as illustrative of the contradictory normative impact that setting minimum standards may have on the fixation of income, and also of divergent visions of its impact. For certain economists and employers minimum wage is seen as too constraining and damaging for competitiveness of economies and firms profitability. Others argue that by nature minimum wages tend to establish itself as the main wage reference for (low qualified) jobs, inducing a floor effect on wages by keeping them at lower levels, although nothing in the formulation of minimum wage regulations impedes employers from paying higher rates than the minimal. The minimum establishes itself as a norm which guarantees that you can not go under but which does not necessarily imply that you could get more, depending on the state of the labour market and collective bargaining. On the other hand, minimum wages are generally positively perceived for the role they play to tackle (working) poverty, ensuring that earnings provided by work are sufficient to live decently. This dual tension between lowering and lifting effects of minimum standards has to be seriously taken into account in our discussions on setting minimum standards.

A group of economists has recently developed a manifesto calling for the introduction of a European minimum wage policy articulated on the proposal of a minimum European standard: *"(…) the proposal for a European minimum wage policy would essentially comprise laying down Europe-wide specific common objectives and criteria on the basis of which national minimum wage policy can be coordinated with one another. In so doing, the purpose cannot be to lay down a uniform level of minimum wage across Europe, given the continuing existence of widely-differing levels of economic development in Europe and the associated huge wage differentials. Instead, the aim must be to lay down a specific minimum norm in each country for the lowest wage groups representing a specific ratio of the national wage system. As a target figure, all European countries should set their sights on a national minimum wage norm of at least 60% of the average national wage. As a short-term interim target, all countries should introduce a minimum norm corresponding to 50% of the average national wage".* (Baumann et al., 2005:2)[8]

In order to implement this EU minimum wage the authors recommend the launching of a soft law process, such as the open method of coordination, articulated around common objectives, monitoring and timetables which would then be implemented in individual countries via the existing local institutions and procedures. The responsibility at European level would be the supervision of the implementation at national level, the monitoring and the exchange of good national practices in the field. Could such a procedure be foreseen for other minimum income standards? In the European context, where currently social issues can only be approached through soft law processes, this could be a way to progress the theme of minimum social standards. This question should be investigated more deeply in our work: is the idea of a specific

[7] We refer here to the multidimensional concept of "in-work quality" as used in EU policies, notably in the European employment strategy, and covering various dimensions such as wage progression, learning and skills, health and safety, working conditions, conciliation work and family life, inclusion and non-discrimination, equal opportunities for men and women, safety of representation,…

[8] For memory, the only countries with a statutory minimum wage which have already reach (or are near of) this 50% short-term interim target of minimum wage are Luxembourg, Malta, the Netherlands and Slovenia, and none had reach the limit of 60% (Regnard P., 2005).

OMC on minimum social standards, or the incorporation of a minimum social standards approach in the current OMC on social inclusion, a good idea or not? Is it feasible and/or desirable? No doubt that there are divergent visions on this issue and our project should try to bring some elements to answer this question.

EU poverty ‘norm’ and minimum standards

If we return to the debate on setting a minimum income standard in Europe it is necessary to discuss what could be the adequacy reference for such a standard. The 1992 Recommendation of the EU Commission makes reference to the fact that the amount should be set by reference to appropriate indicators, in particular average disposable income in the Member State, statistical data on household consumption, the legal minimum wage and price levels. There is an acknowledgement that Member States are free to decide what should be the more pertinent indicator(s) to reflect the minimum level of adequacy, according to national traditions and the respect of subsidiarity. But since the launch of the Lisbon strategy and the OMC on social inclusion there is also an increasing place given to a definite discourse on poverty (and social exclusion) supported by relative poverty indicators, particularly the “at-risk-of poverty rate” with a threshold set at 60% of median equivalised household income. These indicators have become the commonly agreed benchmarks for the evaluation of EU Member states on their relative performance to minimise the number of persons living inadequately. The accent on this approach is not neutral and corresponds to a more political perspective or common trend for Europe in the fight against poverty and social exclusion.

Before beginning this discussion it is necessary to remember that the level of the GMI amount is only part of the question of income poverty. What matters is the net final (low) income of households, after all transfers have been made, and GMI is only one part of poor households income, although probably the most important one. We see from the data presented above that no European country guarantees a net income for social assistance recipient households which is above the threshold of 60% median income and that even the lower thresholds of 50% and 40% are barely reached by a limited number of countries and only for specific household configurations. This confirms that social assistance is conceived as a safety net to avoid too severe poverty but not sufficient to enjoy decent living standards, at least as expressed under the form of a relative poverty threshold. But it points out also that even when considering severe poverty (40% threshold) the income of social assistance recipients is insufficient in nearly all European countries. This also indicates that the 60% median income threshold is an ambitious limit that even the richest EU countries do not attain for social assistance recipients, and that incentive effects to work are clearly maintained in European social assistance schemes.

The current EU relative poverty ‘norm’ is thus increasingly used and acknowledged to define and compare monetary poverty issues in Europe, but could it be considered and used as a MIS (or as reference criterion for) and define common EU threshold(s) assessing a common understanding and expression of what are ‘decent’ living standards?

This is of course a quite delicate and controversial issue, particularly since this specific measurement of poverty has become the core of common European indicators in the framework of the EU OMC on social inclusion (the so-called Laeken indicators), with a dual status balancing between scientific and political rationalisations, depending on who uses it, in which context and with which degree of (legal) formalisation. This political nature of poverty measurement(s) is not exclusive to EU policy level and is ever the object of heated debates at national and/or sub-national levels and between all stakeholders concerned with the issue of poverty. The way you count the poor, and particularly how many you count this way, is far from being a neutral operation in a given society when done in a policy perspective. As stated by Veit Wilson (see working paper I), there are different ‘discourses’ on poverty in the European diversity, which are reflected and supported by different perceptions and measurements of poverty. These different discourses and perceptions of what is poverty and how it should be measured underpin deeply the national perceptions concerning the place and role of minimum social standards, especially in the field of income.

Could the EU at-risk-of poverty rate be considered as a norm? Formally, from a juridical perspective, the answer is negative. To be considered as official a norm must have a binding nature, explicitly defined through laws and/or regulations enacted by institutions which have legal status or have been authorised and mandated to do so, as is, for instance, the case for the US official poverty norm. None of this applies to the EU indicator; there is no law or regulation at EU level enforcing this indicator as an official norm. But beyond its legal foundation, a norm could also be legitimated through its wide social and political recognition and use. From this point of view, the EU poverty rate has been increasingly used since 2001 in the European discourse, by academics, media and generally all stakeholders involved in poverty issues to compare EU countries and characterise poverty in Europe. Member States have legitimised its use in the EU field (for instance the EU indicators have been endorsed at the Laeken European Council in 2001) but also at national levels where comparisons with other European countries in official publications are systematically based on the EU 60% poverty threshold, although different national measurements remain predominant when the scope is on national situations. So, if the EU poverty indicator could not be considered formally as an official norm of binding nature, it has nevertheless gained an increased legitimacy through the spread of its use and recognition by EU stakeholders.

The ‘EU poverty rate’ is primarily a (particular) scientific measurement of poverty and thus, if we follow Veit-Wilson logic, it should be clearly distinguished as such from a Minimum Income Standard, which is a socio-political construction. In other words, it could be adequate as a scientific tool but not necessary as the expression of a socio-political consensus on what is the hypothetical level of income dissociating indecent from decent living standards or basic needs from secondary needs. In scientific terms, the relative poverty rate based on a central value of income dispersion is one measurement of poverty among others. Although there is now a more or less broad consensus among stakeholders to keep a relative poverty measurement in a central position in EU frameworks there are nevertheless continuous debates on the place of other poverty measurements in the EU portfolio of indicators. This is particularly obvious since the enlargement of the Union and the rise of concerns on the ability of this relative poverty approach to reflect adequately the deprivation in terms of living standards in new Member States as well as their differences with richer ‘old’ EU Member States. The relative poverty rates show a picture of poverty in the EU which is not in phase with the intuitively expected order of rich and poor countries in Europe[9], perception strongly influenced by other indicators frequently used to assess wealth of countries, such as the level of GDP or the GDP per inhabitant. The relative poverty approach emphasizes more or less similar performances in the enlarged EU but conceals increased differences in living standards between Member States. This told us at least that ‘income only’ is not sufficient to measure poverty in the new configuration of the EU. It should be clearly emphasised that beyond monetary poverty and material deprivation dimensions, other issues concerning social participation and more broadly concrete realisation of social rights are of equal importance in the full assessment of poverty <u>and</u> social inclusion. Although this assumption is already endorsed in EU discourses joining monetary poverty to social exclusion issues, it is insufficiently represented in the EU set of indicators at present. Two main ways

[9] According to the most recent available statistics (2004) from Eurostat, the statistical office of the European Commission, the three ‘best performers’ in EU in terms of ‘at-risk-of poverty’ rates are the Czech Republic, Slovenia and Hungary, followed by Luxembourg and Scandinavian countries (7 to 12%), while in the lowest bottom of performers we found Southern European countries but also UK and Ireland, joined by the Slovak Republic, Poland and Baltic countries from the newcomer Member states (17 to 21%).

could be followed to reflect the material differences in the EU debate: to better incorporate the dimension of material (non monetary) deprivation between Europeans or to introduce an alternative or complementary relative measurement of poverty based on consumption standards.

The first way is the less controversial and more probable one in the short term in the European context. A recent study by Eurostat (Guio, 2005) presents results from non monetary indicators on living conditions (related to possession or not of specific durable goods, dwelling problems, economic strain) showing a different picture of poverty in EU 25. It prefigures the probable forthcoming introduction of such indicators in the EU basket of common indicators, as recommended in the second so-called ‘Atkinson et al. Report’, known to have a certain influence on the work around indicators at EU level (Atkinson et al., 2005). This conjunction of both monetary and non monetary dimensions will improve the relevance of the EU set of indicators for the understanding of poverty in the enlarged EU. As stated by Guio, *“(…) the evidence shows that the deprivation level is far from ~~being comparable between~~ countries, with even the ‘poorest’ in ‘rich’ countries facing a lower deprivation level than the ‘richest’ in ‘poor’ countries. Therefore, restricting the use of a deprivation measure by combining it with a monetary relative criterion risks to hide the diversity of social and economic development levels among EU25 countries. It seems therefore preferable, at this stage, to present the monetary and non-monetary measures separately, with each containing information crucial to enhance our understanding of poverty and social exclusion”* (Guio A-C., 2005:9).

Concerning the second way to better highlight material differences in living standards across Europe, there is an increasingly strong advocacy from some new Member states but also certain older ones to introduce at European level a measurement of poverty based on consumption standards and a basket of goods and services. Sometimes abusively referred to as absolute, this poverty measurement is used for the definition of the threshold’s value the price of a basket of goods and services reflecting consumption patterns considered sufficient to meet basic needs. This approach is already used in certain countries to assess the extent of poverty and to set the reference level for certain MIS. It is currently discarded at EU level for technical feasibility reasons: how to fix a common EU basket of goods and services representative of so diverse national and social patterns of consumption or how to harmonise national baskets in a comparable EU perspective? This method of poverty measurement is no more objective than the relative one as subjective choices are made for the composition of the basket (how and by whom). We see here in action at the European level the confrontation of national discourses on poverty, reflecting the dual approach already underlined between perceptions in terms of ‘decent’ versus ‘basic’ minimum living standards. This implies also different perspectives on what should be the policy objective(s) at European level in the fight against poverty and social exclusion (see hereunder).

We will not continue in the debate of which measurements of poverty are the most adequate from a scientific point of view and the pros and cons of each approaches, there is already a lot of literature on this issue. From a scientific point of view, all approaches to poverty are pertinent as they each highlight different sub-groups of poor populations according to the criterion used[10], reflecting the multi-facetted visages of poverty and social exclusion in contemporaneous Europe.

[10] A recent study confirms previous results showing that when applying three different approaches of poverty (relative, consumption standards and self-assessed subjective threshold) on a same sample of individuals only a small core is identified simultaneously by the different approaches but either different subsets of the same population are highlighted by the different approaches, differences accentuated by a great variability between EU countries (Verger 2005).

What we will retain from the comparison of these various approaches to poverty and the way they challenge in the EU debate, is that in this particular framework the measurement of poverty is heavily driven by political rather than 'pure' scientific motivations. And this is true not only for the global choice of measurement but also internally in the technical choices and assumptions involved in its definition (reference base, thresholds, equivalence scales, etc.). The EU indicator(s) based on a relative criterion are used as the main benchmark in a political process such as the OMC on social inclusion. Here this measure is used as a commonly (politically) agreed reference to compare EU member states policy 'performances' and ideally to set quantitative targets in national strategies to ensure the evaluation of progress (or regressions) in the reduction of poverty and social exclusion. This efficiency evaluation is the starting point for the determination of national practices that are 'good' and could thus be useful for other Member states. This is the basic learning nature of the OMC. What is important in a process such as the OMC is to ensure that all Member states share a common (long-term) goal, which is not confined to the eradication of severe poverty but mainly oriented towards the progressive reduction of inequalities, in order to offer to each EU citizen equal opportunities (a rights-based social inclusion approach) but also the possibility to benefit from European prosperity in order to have at least decent living standards. The 'European way' should be to search to increase not only the growth of common wealth but also its sharing and redistribution through adequate social protection and fiscal policies, rather than satisfying basic needs. This is also identified as a pattern of the so-called European social model, which qualifies the EU as a particular region in the global world. This central place of the well-being of Europeans is embodied in the basic values and main objectives of EU treaties. This meta-objective is notably expressed by the European Commission (and endorsed to a certain degree by Member states) in the 2004 Joint Inclusion Report to justify the refutation of an absolute measure of poverty at EU level in favour of a relative one: *"An absolute notion is considered as less relevant for the EU for two basic reasons. First, the key challenge for Europe is to make the whole population share the benefits of high average prosperity, and not to reach basic standards of living, as in less developed parts of the world. Secondly, what is regarded as minimal acceptable living standards depends largely on the general level of social and economic development, which tends to vary considerably across countries"* (European Commission, 2004:16).

This opposite perception of what should be the way to go in Europe is also fundamental for tenants of the 'social quality school' in contrast to a narrowed minimal vision of what should be the main objective for European societies (Walker 2005). This expectation may be perceived as (too) high and ambitious by countries confronted with (persistent) difficult socio-economic situations and higher levels of inequality and basic deprivations, where priorities are more perceived in terms of ensuring minimal basic needs for all, at least in a preliminary stage. This is also why European solidarity, notably through means such as the structural funds, has more than ever a key-role to play to support the poorest countries to go beyond a minimal approach, and therefore contribute to reduce significantly the increased degree of inequality within the enlarged EU. From this point of view, the recent small-minded debates on the EU budget and its limitation are not giving the adequate signal. We touch here on a key issue in our discussions on minimum social standards (and their utility and acceptability).

This dividing line in Europe between 'absolute' and 'relative' conceptions of poverty or between 'social quality for all' and 'meeting basic needs' visions is at the core of the debate on minimal standards in the social field. These visions are not necessarily opposed; as meeting basic needs can be seen as a pre-condition for achieving higher living standards. Finally the main issue is to be sure and unambiguous about the fact that meeting basic needs is just a step and not the final aim of what is undertaken by European countries to tackle poverty and social exclusion, and that all is done from the Community level to support Member states in this direction. The European Union is a rich entity and must have ambitious objectives, but it has also to ensure that its weakest members receive an adequate support to reach these objectives. Anyhow, there should be a cautious assessment of the positive and negative outcomes of such minimal standards, not only in national and regional/local levels but also within the European Union.

Social Protection

The term ***'social protection'*** is currently used in EU 'language' but it is commonly known in many countries under the appellation of 'social security'. Social protection systems have been developed in different countries to act as a redistributive and insurance tool against social 'risks' that could affect all or specific categories of the population and maintain their relative living standards in these circumstances (health care, sickness-cash benefits, maternity/paternity, invalidity, old-age, survivors, employment injuries and occupational diseases, family benefits, unemployment, long-term care). They are contributory as they are mainly financed by actual or previous work-related contributions or through the general taxation system. The strict conditioning of entitlement for different categories of population in reference to their actual or past employment status is more characteristic of the so-called 'bismarkian' welfare states (continental Europe mainly), where social protection is financed through contributions related to work. In the so-called 'beveridgian' Nordic and Anglo-Saxon welfare states these rights are granted on a more universal base and financed by general taxation. These 'social risks insurances' form the main body of social protection in all EU countries and are generally guaranteed in national Constitutions and laws (less in beveridgian countries). Aimed at the preservation of living standards of all or certain categories of citizens they consequently have a positive impact in the prevention of poverty among the whole society.

Before entering in a detailed comparative analysis of social assistance and guaranteed minimum income schemes it is necessary to briefly introduce the general framework on the way the diverse EU 25 countries proceed to protect their citizens against social risks through their global welfare systems. This step is essential to help us in understanding what are the different perceptions and relative positions of European countries on the global issue of the setting of (minimum) social standards. The way these welfare systems build up across time and their historical roots in national societal contexts and evolutions is reflected in the various conceptions and understandings among the EU 25 Member States of what social protection is and how it should be designed and delivered. But more globally social security is only one dimension of the social protection of citizens, and the organisation modes of redistribution of wealth, the labour markets, the social services (health, education, …) as well as the role devoted to family solidarity are also important factors to take into account. This broader approach under the angle of patterns of welfare provision, welfare outcomes and also stratification effects is commonly referred to as "welfare regimes", which is thus a more global concept than social protection. 'Regimes' refer to the ways in which welfare production is allocated between State, market, and households' (Esping-Andersen, 1999: 73). The protection received by individuals is assessed at the interplay of the 3 main spheres of society: the State, the family and the market.

Welfare states regimes

The diversity of European welfare states arrangements is an important structuring element in the debate on minimum standards and their relative utility as it conditions deeply the perception of the role that society and welfare schemes, notably guaranteed minimum income schemes, should play to tackle poverty and social exclusion. This diversity, especially since the recent enlargement, makes more complex not only the identification but also the consensus around what should minimum standards be. As already underlined in WP1, there are different kinds of standards and if some are approved by certain Member States they could also be rejected by others, based on different conceptions of welfare and poverty. So not only the differences, but also the convergences, between these different national understandings of welfare and poverty have to be constantly kept in mind when discussing and setting social standards in Europe.

The first difficulty, which immediately arises is how to study and identify common or different trends in 25 different welfares regimes? The research on welfare has developed various typologies of welfare regimes across the years. One that proves to be in wider use and more or less robust in regard to diversity of arrangements and the evolution of the systems was developed by Gostä Esping-Andersen in the beginning of the nineties (1990, 1999). Based on the analysis of a various set of indicators and features of national welfare systems, Esping-Andersen identifies *welfare regimes* as the result of (more or less) stable social institutional arrangements between the State, the family and the market in order to ensure 3 main functions in society: redistribution, insurance and supply of social services. Welfare regimes are differentiated according to the capacity and freedom of individuals to sustain themselves independently of the market[11] (de-commodification), the family (de-familisation and individualisation of rights) and the degree of intervention of the State in this relationship. Although suffering from a certain number of critics[12], this approach in terms of welfare regimes has proved to be very persuasive in linking together a wide range of elements that are considered to influence welfare outcomes.

As a typology this suffers from the classical drawback of masking national specificities. Clusters can not be seen as homogeneous, there is a diversification inside each cluster as each country has a different history resulting in different outcomes (path-dependency[13]). To put it simply, Spain is different from Greece in the Mediterranean cluster and Finland is different from Denmark in the Scandinavian cluster, but they nevertheless share common features that characterise them from other EU countries. Moreover, the hybrid position in this typology of certain countries is subject to many discussions[14]. Scholars have also added a fourth welfare cluster to the three defined by Esping-Andersen to differentiate the Mediterranean countries as a specific cluster with its own characteristics, notably concerning the role played by family in ensuring solidarity and social protection (Ferrera, 1996). So, this typology has to be taken as what it is, an imperfect but convenient tool to categorise and capture the complex diversity of welfare state regimes in Europe. It is considered relevant in the context of our research as it provides a useful mean to discriminate the different understandings of poverty and the underlying assumptions made in the way to tackle it, which may in turn be particularly relevant when discussing an issue such as the definition and setting of minimum standards in Europe.

Finally, four different welfare regimes in (western) Europe are generally distinguished:

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[11] As welfare regimes provide opportunities for individuals to retreat temporally (unemployment benefits, sickness benefits,…) or definitively (pensions, invalidity) from the labour market while maintaining a livelihood without reliance on the market.

[12] The main ones concerning the static character of the typology (when establishing patterns of fixed interaction a certain assumption of continuity tends to prevail over that of change and thus implicitly assumes that a particular welfare state will tend as main goal to sustain existing interests and arrangements) and on the underestimation by Esping-Andersen of the role of labour market institutions, and also of the place given to women and family, failing to take sufficiently into account the particular place of women on labour market and notably the importance of unpaid family work (Lewis J. 1993, Sainsbury D., 1994). For a detailed review of the theories and critics on welfare clusters and ideal-types see Arts W. and Gelissen J. (2002) or Merrien F-X et al (2005)

[13] In the broadest sense, path dependence refers to the fact that certain policy choices are more likely because of the prior choices made. In a narrower understanding, path dependence refers to mechanisms (positive feedback) that drive policies in a particular direction that is very difficult to escape from, because of the political or practical costs of doing so (Goul Andersen, 2005)

[14] Ireland for instance is traditionally incorporated in the liberal Anglo-Saxon cluster but shows also some common characteristics with the conservative regime (breadwinner model) and the Southern Familialistic model (high dependency on the family). The Netherlands and Austria are also considered as hybrids between Continental-corporatist welfare regime and the social-democratic one.

Liberal Anglo-Saxon regime (UK & IR)
Role of state welfare is conceived as relatively residual and intervenes only when both the market and the family have failed in allocating resources, market being prevalent for regulation and integration. The provisions are flat-rated, means-tested and selective (targeted) in combination with universal public service (health), the base in the fight against poverty being the individual in need.

Corporatist-conservative regime (DE, FR, BE, NL, LU, AU)
Here state welfare is categorical and meritocratic, as eligibility to schemes is highly related to the present or past work-status of the family achieved through the position of the (male) breadwinner(s). The welfare is aimed at income maintenance of the worker and its family through a strong social insurance system based on contributions. Thus, family is the prevailing social agency strongly supported by specific targeted in-kind and monetary state provisions (active subsidiarity).

Social democratic regime (Scandinavian countries)
State welfare is defined in a universalistic way replacing both family and market responsibilities. Measures are addressed to all citizens according to their need and supplied through a comprehensive network of public and local services complementing income support schemes;

Latin Familialistic regime (ES, PT, GR, IT)
This regime appears as a mix of characteristics from the corporatist-continental regime and its strong family orientation and work-related social insurance base with universal public services (health) but weak State support. Benefits are lower and the fight against poverty is more targeted to family in need, although less resources are dedicated to family policies (passive subsidiarity) and to other contributory and means-tested schemes, which results in a overload of family responsibility for social care with a low state welfare support, notably in terms of services. Policies are highly segmented and targeted to particular categories.

The following table summarises the main characteristics of the different welfare regimes. The second part of the table shows the way these different welfare regimes act to prevent the risks of poverty through the different kinds of protection that society and social security provides to individuals (Nicaise et al. (2004)). This illustrates well the multiple layers of protection against the social risks at work in our societies and is useful to better understand the role played by guaranteed minimum income schemes alongside other protection features. As stated earlier the guaranteed minimum income schemes are the ultimate safety nets that are active when the primary income distribution schemes (work, family, social security) fail to provide a decent income level.

Although still robust as an analytical tool for clustering European welfare states this typology has also been seriously questioned by the recent enlargement of the EU to Central and Eastern Europe countries and Cyprus and Malta. How do we classify, within this typology, countries whose welfare regimes are the product of a different path/history, especially after WWII? These countries have experienced in the last fifteen years the shocks of economic and social transition inducing serious increases in poverty and inequalities in the framework of deeper and hard reforms of social protection schemes, generally under the strong influence of World Bank's approach of welfare in terms of privatisation of schemes and services coupled with a safety net logic for last-resort social assistance (UNICEF 2001, Merrien et al. 2005, Tomes 2005, Vaughn-Whitehead 2005). But beyond common challenges and 'guidance' the orientation of reforms has also been influenced at national levels by historical trajectories and notably the important influence in the region of Germany and Austria since the end of 19th century, when welfare states were emerging. There is thus a form of path dependency in the orientation of welfare regimes in certain new Member states (Schmäel and Hortsmann, 2002).

There is not much literature incorporating the new picture of enlarged EU into the welfare regimes typology framework. The main effects of the deep reforms undertaken by the new Member states (less in Cyprus and Malta) will only show the full range of effects and consequences in the forthcoming years, so it is difficult to currently attach these countries within the existing clusters. For some welfare researchers, the new Member States form a separate welfare cluster, seen as an incomplete and immature version of the existing clusters, notably the Corporatist continental one (the Latin Familialistic cluster according to Esping-Andersen and others) (Kazepov and Sabatinelli, 2005). But for other academics there are visible 'attractions' of these countries to the existing models. Cartarpanis et al. (2005) and Vasconcelos et al. (2005) highlight different trends among new and forthcoming EU Member states. Romania, Bulgaria, Slovak Republic and Poland are close to the Latin Familialistic model. The Czech Republic and Hungary have a certain proximity to the Latin model but at the same time show stronger attractions to the Corporatist-continental model. Slovenia is more clearly incorporated in the Corporatist-continental model while the Baltic countries have more characteristics in common with the Liberal Anglo-Saxon model. Thus there are different poles of attraction for the newcomers in the EU, the main one appearing to be the Corporatist-continental welfare regime model.

As noted by Cartapanis and al., it is striking that the most attracting models for the new countries are those with the lowest redistributive patterns, challenging the vision of the global European social model as highly protective and redistributive. This change in the global balance of European welfare conceptions and its relative influence on the discussions and shaping of social concerns in EU policy and institutions has to be constantly kept in mind, notably in the context of the 'revised' Lisbon Strategy which is focused on economic growth and employment. This tension is particularly present in the discussion on the setting of minimum standards in the social field, which appears to be by nature more embedded in a liberal logic of minimal needs and protection (Walker, 2005). If this is true for minimum income standards, it is less the case for other fields where minimal standards could be defined, such as those related to quality.

Table 1 : Characteristics of welfare regimes

	Liberal Anglo-Saxon	Corporatist continental	Social democratic	Latin Familialistic
ideology	Citizenship	neo-corporatism	egalitarianism	social justice
goals	individual choice	income maintenance	network public services	resource mixing
financing	Taxes	payroll contributions	taxes	mixed
Regulation/management	Central State	Central State and social partners	Central State and social partners	mixed / decentralized
Basic principles	Selective/targeted provisions with universal public service (Health)	Social insurance linked to work status	Universal individual rights	Mix between social insurance and universal public service (Health)
services	residual public	social partners	comprehensive public	family support
labour market	de-regulation	Logic of insiders/outsiders	high public employment	big informal economy
Labour market participation	High	Medium	High	Low
Gender dimension	female polarization	part-time feminization	occupational specific	ambivalent familialism
Income inequality / poverty	High	Medium	Low	High
Base fight poverty	Individual in need	Worker and his family in need	Individual as citizen	Family in need

Protection from poverty risks

Through work	- High labour market participation - High (UK)/low (Ireland) level of female employment - High occurrence of low-paid labour	- High labour market participation - Medium/low level of female employment - Low occurrence of low-paid labour	- High labour market participation - High level of female employment - Low occurrence of low-paid labour	- Low labour market partic. - Low level of female employment - High occurrence of low-paid labour
Through social security	- Medium(UK)-low (Ireland) social expenditure - Modest universal transfers - Means-tested - Flat rate benefits	- Medium-high social expenditure - Contribution related social insurance - Categorical insurance: related to class and status - Unequal levels of benefits	- High social expenditure - Universalistic insurance - High level of benefits	- Low social expenditure - Contribution related social insurance - Categorical insurance: related to class and status - Immature and fragmented insurance system - Low level of benefits
Through intra household transfers		- Extended family obligations	- Dependence on the family is minimised	- Traditional family structure
Through minimum income	- Extensive system of social assistance - Medium -low levels of generosity	- Extensive system of social assistance - Generous benefits	- Residual system of social assistance - Medium -high levels of generosity	- No or weak universal GMI system - Categorical schemes for the elderly

Sources : Begg et al. (2001),Vasconcelos Ferreira & Figueiredo (2005), Nicaise et al. (2003)

Guaranteed minimum income support schemes

In addition to this general protection against social insecurity, provided by global welfare schemes, all European countries have developed, although under different forms and with different timings, universal and residual non-contributory complementary schemes in order to guarantee to all sufficient resources to 'live with dignity' or meet 'basic needs' (***social assistance***). They are designed for individuals and/or households 'failing' to ensure themselves a 'decent' standard of living (and/or not belonging to one of the main population/social protection categories mentioned above), and are clearly aimed at the prevention of (severe) poverty. In countries with a long practice of social assistance these schemes were originally perceived as a residual complement to social protection that will disappear by itself when the results of full-employment and wealth increase would automatically raise all individuals to better living conditions. But persistence of high structural unemployment and relative failures of social policies to eradicate or at least contain poverty during the recent decades have demonstrated that on the contrary these schemes are increasingly important and more than ever necessary (Heikkilä and Kuivalanen 2002; European Commission 2004).

Social assistance minimum income schemes are means-tested in all countries, as individuals or household eligibility are dependent of an assessment of current or recent income and/or assets. Social assistance could take very different forms (guaranteed and/or limited benefits in cash or in-kind, provision of social and integration services, special fares in (public) services, tax-credits, public and/or private social insurances,…). The means-tested or income-related benefits can be divided into three broad categories:

- general assistance through schemes providing cash benefits for all people below a specified minimum income standard (guaranteed minimum income schemes);
- category-specific assistance which provides cash assistance for specified groups (family, disabled, old age,…);
- tied assistance which provides access to specific goods or services in either cash or kind (housing assistance for instance) (Guibentif & Bouget, 1997).

Together, these social assistance forms and schemes, and their various declinations and combinations at national and sub regional levels, constitute a complex and fragmented web of last-resort protection, the 'safety nets' protecting citizens and households from falling into (severe) poverty and social exclusion. These safety nets are the social expression of what each European nation according to its own social consensus perceives as being the minimal floor under which poverty and social exclusion are considered as unacceptable and contrary to human dignity. There is a wide degree of divergence around the understandings and definitions of this minimum floor in the EU, although a broad line can be traced to distinguish between approaches in terms of decent living standards from those structured on meeting basic needs.

The term '*guaranteed minimum income*', that we use in this report, has different national understandings in the EU. If the concept of minimum income is clearly specified in certain countries schemes denominations (FR, LU, ES, PT, LV), in many other countries the same scheme is designated as '*social assistance'* (AU, DE, NL, DK, SE, CZ, PL, SI, MT), '*integration or insertion income'* (BE, PT), '*public assistance'* (CY), '*income support*' (UK), '*supplementary welfare allowance'* (IE), '*subsistence benefit'* (EE), '*benefit in material need'* (SK), or '*social benefit*' (LT). In some countries the guaranteed minimum income scheme is the sole existing safety net, in some others guaranteed minimum income is part of a wider safety net including other allowances and associated rights. In the Mutual Information System on Social Protection (MISSOC), established since 1990 to promote a continuous exchange of information on social protection between Member States, the guaranteed minimum income schemes are classified in the broad category 'Guaranteeing of sufficient resources'[15]. Beyond these different terminologies, the guaranteed minimum income schemes have some common characteristics that could help us to give a general definition:

- they are 'guaranteed' and 'non-contributory' as they are granted on a universal basis and not depending on previous contributions to social protection insurance systems;
- they are 'minimum' as they are conceived as the ultimate *'safety nets'* of the social protection and related to national or local perceptions of minimal living standards or needs;
- they are the expression of a subjective and non-discretionary right to social assistance, meaning that they have to be claimed by individuals and are not granted automatically, and that their level is set by law or administrative rules in an equal manner for all;
- they are generally paid as a means-tested differential cash amount, i.e. their attribution and amount is conditioned by the other resources of the individual/household which should not exceed a given minimum.

In this report we will consider mainly the minimum cash income support benefit, but in certain countries it could also be attributed as a (complementary) in kind benefit (food or clothes for instance) and/or supplemented by other allowances (family, housing,…) and/or services . Thus, a general definition of the guaranteed minimum income could be:

> *A guaranteed minimum income is the expression of a universal non-contributory subjective and non-discretionary right to social assistance, granted generally under the form of a means-tested differential income. As main pillar of a dedicated scheme, it acts as (part of) the ultimate safety net of social protection in order to prevent individual or households, which are not covered by other social protection schemes and with insufficient resources to support themselves, to fall into (severe) poverty or under decent living standards as perceived in national societies.*

Guaranteed minimum income is often confused with **'basic income' or 'universal income'**, which is not a social protection benefit. Basic income is currently only a theoretical concept, viewed as a payment granted to everyone in society, independent of the available resources of individuals or households (non means-tested) and status or socio-demographic characteristics. Although this concept is widely advocated as a tool to fight poverty and social exclusion it is also strongly criticised on its financial sustainability and the level of payment proposed. There are also fears of the effect it could generate on labour markets, especially when wages are under constraint for competitiveness reasons. We will not enter further in this debate as basic income is at its present stage more an idea than a concrete provision[16], and thus, beyond its interest, any discussion could only be of theoretical order.

Guaranteed minimum income schemes play a specific and crucial role in the fight against poverty and social exclusion as they are last resort of social protection, a major component of the global safety nets to prevent people from falling into severe poverty.

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[15] They are divided into *'general non-contributory minimum'* (the guaranteed minimum income) and 'Other specific non-contributory minima' (I. Old age, II. Invalidity, III. other NCM (single parents allocations, specific aid for political refugees, unemployment insurance,…).

[16] For a detailed overview on the issue of basic income in the EU see the web site of the Basic Income European Network (BIEN) : www.basicincome.org

Almost all EU Member States have developed a universal social assistance scheme aimed at guaranteeing to all legal residents a minimum income to "live with dignity", whatever may be the national understandings of this concept of decent life. These schemes could have various forms according to the countries but they all share a common goal of deploying a universal safety net of protection for those not covered by other social security schemes.

There are only 3 countries in the EU where no universal guaranteed minimum income schemes exist: Italy, Greece and Hungary. Nevertheless, in these countries reforms are being undertaken but their outcomes are unclear at the present stage.

Italy launched. in 1998, an 'experimentation' in selected municipalities, which was extended to other municipalities for a two year period in 2001. The new government decided to stop the experimentation in 2003 (Patto per l'Italia, 2002, White Paper on Welfare State, 2003) and to replace it with a local instrument poorly subsidised by the State and mainly depending on regions and local authorities for its adoption and implementation. According to the Italian NAPinc 2003-2005 the "income of last resort" (Reddito di Ultima Intanza (RUI)) includes both the universal and selective elements to class it as an instrument of last resort for socially fragile people and those with few employment and income opportunities. It will be built on close cooperation between national and regional level with local components playing a considerably more important role (NAP social inclusion Italy 2003-2005). The main criticisms point that the evaluation of the GMI has not been discussed democratically before the decision to abandon it, and that only the richer regions will have the possibility to implement this scheme, while 2/3 of the Italian poor are located in the southern regions, which will not have the possibility to implement the RUI scheme given the lack of (fiscal) resources and State support (Saraceno, 2003). Anyhow, the RUI could not be considered as a universal national scheme given its regional/local nature. Consequently, Italy has no longer a universal GMI scheme, although the MISSOC database still describes Italy as having a GMI (the Reddito Minimo di Inserimento which experimentation was cancelled in 2003). This places Italy in the singular and worrying position of being the only country in Europe where no GMI but also no minimum wage exist, while the rate of poverty is among the highest observed in the EU.

Greece states in its PAN/inc that it is planning a reform of social protection, which until now provided only targeted specific minimums (people in mountainous regions and old-age pensioners, older long-term unemployed persons and poor households with children under 18). But it seems that there is no real public or political debate in Greece on the necessity of a general GMI scheme, the main arguments from policy deciders being linked to budgetary constraints and high regional diversity which complicate the setting of a minimum threshold (Matsaganis, 2001, 2003). Note that both these restrictions were also highlighted by the Italian government to justify the end the GMI experimentation.

Hungary announced in its NAP/inc that it will implement a program named SZOLID[17] (The Modernisation of Social Act and the Democratic and Long-term Development of Social Administration) in 2005-2006, with the aim of modernising social provisions as well as introducing a new threshold of allowances for all residents. This will replace and be higher than the minimum pension and the eligibility criteria will be expanded to include people

[17] The SZOLID program, as such has been suspended since 2004. Nethertheless many of the analysis written within its framework were used to develop the social reforms of 2005 & 2006 (Korintus, M.)

without any work experience. The reform is also aimed at providing an adequate safety net, rationalising social assistance, expanding day-care for children and improving coordination between various social provisions. But is seems unclear at the present time if this reform will be supported by sufficient budgetary means and really implemented.

In its 2004 Joint Inclusion Report the Commission describes schemes developed in these countries as "(…) *developing an alternative concept of a "solidarity network", based on a strong preventive role of the family and combining a variety of targeted schemes administered in a decentralised way.";* but some concern is raised about *"(…) how the alternative approach will be implemented in Greece and Italy so as to tackle effectively the considerable challenge of poverty reduction in these countries."* (European Commission, Joint Inclusion Report 2004:53).

B. Guaranteed minimum income in European social policy

As mentioned earlier, the question of guaranteed minimum income is barely discussed in the EU social field because subsidiarity, which affirms the exclusive primacy of national or regional levels, is a key reference when social protection is discussed at European level. Competences and levers of action are in the hands of Member States, and/or regions, and/or local authorities. The Commission and other European institutions can only make recommendations and design programmes to support Member States towards broad common objectives of adequacy and human dignity, but not impose binding tools such as Directives or Regulations. Nevertheless the right to sufficient minimum resources to live with dignity and independently of the market, provided by national social assistance schemes is recognised in various EU institutional texts.

The Council of Europe **European Social Charter** (revised version, 1996) includes in article 30: *"The right to <u>protection against poverty and social exclusion</u>. With a view to ensuring the effective exercise of the right to protection against poverty and social exclusion, the Parties undertake: a. to take measures within the framework of an overall and co-ordinated approach to promote <u>the effective</u> <u>access of persons who live or risk living in a situation of social exclusion or poverty, as well as their families</u>, to, in particular, employment, housing, training, education, culture and <u>social</u> and medical <u>assistance</u>; (b). to review these measures with a view to their adaptation if necessary".*

The **Community Charter Of The Social Fundamental Rights Of Workers** adopted by the Heads of State and Government (11 Member States) on 9 December 1989 stipulates in Paragraph 10 that: *"Every worker of the European community shall have a right to adequate social protection and shall, whatever his status and whatever the size of the undertaking in which he is employed, enjoy an adequate level of social security benefits. <u>Persons who have been unable either to enter or re-enter the labour market and have no means of subsistence must be able to receive sufficient resources and social assistance in keeping with their particular situation."</u>*

Article 34 §3 of the **Charter of Fundamental Rights of the European Union** stipulates that: *"In order to <u>combat social exclusion and poverty</u>, the Union recognises and respects <u>the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources</u>, in accordance with the rules laid down by Community law and national laws and practices."*

Although formulated in general terms and non-binding these references in international conventions gives ground to the right to social assistance and income minimum schemes, in the respect of national competencies and laws. They encourage a certain convergence to an objective of adequate minimum income schemes in order to tackle poverty and social exclusion.

The main reference in the EU context on the question of guaranteed minimum income is the **Council Recommendation 92/441/EEC of 24 June 1992 on common criteria concerning sufficient resources and social assistance in the social protection systems**, issued at the end of the EU Poverty III process. This document, although not binding in nature was, at that time, an important advance in the EU social policy field. But it is not until 1999, on the eve of the preparation of the Amsterdam Treaty, that a **report on implementation of the 1992**

Recommendation (COM (98) 774 of 25th January 1999 was issued, although a more rapid evaluation had been requested in the 1992 Recommendation.

The main action at EU level in the fight against poverty and social exclusion was the launch in 2000 of the **Open Method of Coordination (OMC) on poverty and social exclusion** which become the OMC on social inclusion. This “soft law” process based on the methodology already at work since 1997 in the European Employment Strategy implies that Member States agree on common objectives and indicators that are used to structure National Action Plans (NAPs)/ These Plans are the basis of a peer review evaluation in order to highlight and exchange ‘best’ practices. The Common objective 1.B refers to *Facilitating access to resources, rights, goods and services for all* with an explicit mention of the necessity to organise social protection systems in such a way that they help to (a) guarantee that everyone has the resources necessary to live in accordance with human dignity and (b) overcome obstacles to employment by ensuring that the take-up of employment results in increased income and by promoting employability.

Since those moments, the issue of minimum income schemes has barely been mentioned in EU documents. The **Communication on the modernisation of social protection** (COM (97)/ 102 and COM (99)/347) mentions guaranteed minimum income mainly in terms of activation of ‘passive welfare’ and in a ‘welfare to work’ perspective, which will be the increasing perception of social protection modernisation in the European discourse in the coming years through the so called revised Lisbon Strategy, with only a reference to the role these schemes play in alleviating poverty. The **Social Policy Agenda 2000-2005** of the Commission (COM(2000) 379) did not mention guaranteed minimum income schemes as such but contains a section on the modernisation of social protection as an objective of quality in social policy. In this framework it mentions the adaptation of social protection systems to make work pay and provide *secure income*.

In the mid-term review of the Social Policy Agenda in 2003 the Commission announced, as one of its actions, the launch of a consultation with social partners regarding the feasibility concerning minimum income following the **1992 Council Recommendation on minimum guaranteed resources** (COM(2003) 312). In the **Social Policy Agenda 2006-2010** (COM (2005) 33) the Commission announced a Community Initiative on minimum income schemes and the integration of people excluded from the labour market. Finally it takes the form of a preliminary Communication **‘concerning a consultation on action at EU level to promote the active inclusion of the people furthest from the labour market’** (COM (2006) 44) which launch a process of consultation around 3 specific questions concerning mainly the need and possibility for the EU to undertake an action to support member states in the field of activation of people furthest from the labour market. The issue of adequacy of benefits and the contribution of GMI schemes to the fight against poverty is left aside as well as the question of fundamental social rights. The Communication also makes reference to a process entailing impact assessment of minimum income schemes. The focus of the Communication echoes the Growth and Jobs strategy, orientated mainly on the need to increase employment rates and that while employment may be the better protection against poverty it is without reference to the possible negative effects of inappropriate activation measures and low quality jobs.

The 1992 Recommendation on sufficient resources and social assistance

The most important reference in the European context on the issue of guaranteed minimum income is of a non binding nature: the **Council Recommendation 92/441/EEC of 24 June**

1992 on common criteria concerning sufficient resources and social assistance in social protection systems.

In this Recommendation the Commission **"**invites" Member States to recognise, in the context of a comprehensive and systematic drive to combat social exclusion, a fundamental individual right to sufficient and reliable resources and benefits and to adapt their social protection systems accordingly. Member States are recommended to recognise this right according to the following common principles:

1) This right is based on respect for human dignity;
2) It is vested in all persons residing in the territory of the Member States in compliance with national and Community provisions and who do not have access to sufficient resources, either individually or within the household in which they live;
3) Persons who have reached the age of civil majority and whose age, health, and family situations permit professional activity are entitled to this right subject to active availability for work;
4) Access to this right may not be made subject to time-limits, assuming compliance with the eligibility conditions;
5) This right must be accompanied by measures to promote the social and economic integration of the beneficiaries, notably as regards health, housing, training and access to work.

The approach is thus rights-based, of universal nature and not limited in time and associated to complementary rights and related measures, active availability for work is set as a condition for those of working age.

Going further than common principles, the Recommendation invites also the Member States to implement this right in accordance with the following detailed procedure:

1) the amount of resources sufficient to cover essential needs is fixed in line with the living standard and price level for different types and sizes of household;
2) supplementary amounts to meet specific needs may be fixed;
3) these amounts are fixed by reference to appropriate indicators, in particular average disposable income in the Member State, statistical data on household consumption, the legal minimum wage and price levels;
4) arrangements for periodic review: the administrative procedures are simplified and provision is made for appeals to independent third parties, such as tribunals, to which the persons concerned should have easy access;
5) inducements to seek employment are safeguarded;
6) the financial aid is differential and must bridge the gap between the applicant's household resources and the amounts deemed to be sufficient resources, while the granting of this aid may not be limited by the implementation of rules in force in the areas of taxation, civil obligations and social security;
7) all necessary measures are taken to offer those concerned appropriate social support, including, in particular, advice and counselling, information and legal aid;
8) persons of the appropriate age and ability to work benefit from all arrangements for participating in training courses to prepare for entering or re-entering employment;

9) measures are taken to ensure that the most disadvantaged persons are properly informed of this right;

10) this guarantee of benefits and resources is ensured within the framework of social protection schemes.

These implementation procedures cover various issues and suggest pathways to improve the guaranteed minimum income scheme as a tool to tackle poverty and social exclusion. This includes the adequacy of benefits in relation to the level of living standards (it even suggests indicators that could be used as a reference to evaluate the minimum threshold), legal and administrative simplification and an adequate juridical protection for claims and legal aid, the importance of information about rights, the relation with other incomes, inclusion in the labour market through training and incentives. It also embodied the minimum income schemes into the global social protection framework. Many of these suggestions were quite "progressive" in the European context where subsidiarity rules social protection issues. Member states were invited to take all the necessary measures to implement the Recommendation progressively so as to make an assessment after five years, the methods to be used as well as the funding being leaved to national legislation and practice.

But it is not until 1999, in the context of the preparation of the implementation of the new Article 118 of the Amsterdam Treaty (Article 137 of the EC Treaty) and the broader Commission strategy designed to modernise and improve social protection in the European Union, that a follow-up of this Recommendation is made under the form of a **report on its implementation (COM (98) 774 of 25th January 1999)**. The report scrutinises guaranteed minimum income schemes in the EU and considers that some progress has been made towards an integration of the right to social assistance in the case of insufficient resources, notably in Mediterranean countries (Spain, Portugal having implemented GMI schemes and Italy starting an experimentation at that time (which has been abandoned since)), although marked differences persist concerning their place in the social protection systems, their links with other social measures or the arrangements for implementing them. That is why Member States were invited to pursue the debate with the Commission on three 'common objectives':

- optimise social protection: better coverage of basic needs, greater consistency between the minimum social benefits and other social benefits, maintenance of minimum income by topping up income from work;
- improve access to employment: promote training, improve the quality of jobs offered to beneficiaries;
- promote the social and economic integration of the beneficiaries.

The Commission also invites social partners, non-governmental organisations and other civil associations to participate in this debate. We notice nevertheless that in comparison with the 1992 Recommendation more emphasis is already set here on the 'modernisation' of social assistance towards a greater integration of social assistance recipients into the labour market.

C. Comparative study of GMI schemes in enlarged EU

In this part we will undertake a comparative study of the characteristics of GMI schemes in the actual 25 Member States of the EU and also Norway, Bulgaria and Romania to take into account the composition of our project partnership. In our project it was made clear from the start that we will follow a social rights approach and thus pay attention to factors restricting or impeding access to these social rights. The first section of the study will highlight existing patterns in European GMI schemes that limit or condition the access to these schemes. The second section will be dedicated to questions on employment and conditionality of schemes to training and activation measures which have turned out in recent years a transversal pattern in all EU countries. Finally in the third section we will consider the adequacy of GMI allowances and their efficiency to tackle financial poverty.

The comparative information concerning GMI schemes in the 25 countries forming the European Union (and Norway) comes from the MISSOC database (Mutual Information System on Social Security)[18], which has gathered since 1990 information in a comparative way for countries of the European Union and the EFTA. We are using the 2005 version of the database with information concerning the situation as at the 1st May 2004. Information relative to GMI schemes in Bulgaria and Romania is provided by the MISSCEEC database of the European Commission (Mutual Information System on Social Security in Central and Eastern European Countries) designed according to the principles used in the MISSOC system as a preparative step for further incorporation. Unfortunately the information is older and refers to the situation on 1st May 2002.

Comparative studies on GMI schemes

Before starting with the comparative study we will first review the literature devoted to the GMI schemes through a comparative perspective, with focus on studies searching to highlight models in the organisation of these schemes in Europe. Comparatively to other social protection segments, social assistance schemes have attracted less academic attention in welfare research. Nevertheless, their permanent and even increased importance in social protection architecture has generated a resurgence of interest since the Nineties and various studies have compared social assistance schemes in international perspectives from a general institutional point of view (Leibfried 1992; Lødemel/Schulte 1992, Eardley et al. 1996, Gough and al. 1997, Guibentif and Bouget 1997, Ditch and al. 1997, OECD 1998a and 1998b, OECD 1999, Paugam 1999, Ditch 1999a and 1999b, Smeeding and Ross 1999, Gough 2001, Heikkilä and Keskitalo 2001, Heikkilä and Kuivalanen 2002, Saraceno 2002, Standing 2003, Kazepov and Sabatinelli 2005) or with a focus on particular dimensions such as adequacy (Deleeck and al. 1992, Kazepov and Sabatinelli 2001, Hölsch and Kraus 2002, Kuivalainen 2003, Nicaise and al. 2003, Nicaise and Groenez 2004, Cantillon and al. 2004, Kuivalainen 2005), activation of social assistance recipients (Heikkilä 1999, Ditch and Roberts 2002) or policy discourse and reforms in social assistance (Hanesch 1999, Aust and Arriba 2004).

One particular stream of welfare research has focused on attempts to build typologies of minimum income schemes and to define social assistance country clusters on the basis of their national institutional characteristics. We will not enter in to the full detail of these various

[18] For a complete overview of MISSOC and MISSCEEC see the web site of European Commission : http://ec.europa.eu/employment_social/social_protection/missoc_en.htm

attempts to build typologies of social assistance schemes but rather highlight some which may be of particular interest in our discussions on minimum standards.

Probably the most well-known typology of GMI schemes is the one developed by Gough et al. in 1996 which covers the OECD area countries. It has been used as a starting base and enhanced in various latter studies (Gough et al. 1997, Ditch et al. 1997, Ditch 1999a and 1999b, Gough 2001). Eight main clusters are distinguished but only 5 concern European Countries[19]:

1. Welfare states with integrated safety nets (UK, IE (CA)),
2. Dual social assistance (DE, FR, BE, LU),
3. Citizenship based but residual assistance (DK, FI, SE, NL),
4. Rudimentary assistance (IT, ES, PT, GR (TK)) and
5. Decentralised discretionary relief (AU, (NO, SW)).

Although starting from the same typology in their study, Saraceno et al. emit some criticism on the indiscriminate inclusion of Southern countries in the 'rudimentary assistance' cluster, arguing that Spain and to some degree Portugal are closer of the 'dual assistance' cluster insofar they now have a universal safety net complementing the category based assistance schemes. The crucial role of charities in social assistance is underestimated in the 'dual social assistance' and 'integrated safety nets' clusters while emphasised in the 'residual' cluster. More generally Gough's typology neglects the increasing role of availability to work requirements and social integration approaches.

Another typology of particular interest was elaborated in Paugam et al. and draws on the regulation modes used by societies to manage poverty (Paugam et al., 1999). Unfortunately this study was carried out in only 8 European countries. The authors start from the definition of four main factors of differentiation for social assistance schemes.

1. The share of responsibilities between State and regional/local levels and also civil society (who must help?).
2. The definition of the poor and if they are assessed from a universal perspective or as targeted groups (who to help?).
3. Basic principles underpinning the definition of assistance in logics of status versus basic needs (which principles?).
4. The intervention mode used for the delivery of social assistance, dissociating non discretionary (bureaucratic) from discretionary (individualist) schemes (with which means?).

   We find here a similar perspective to the one developed by Veit-Wilson for the discrimination of minimum income standards adequacy (see working paper I). These four differentiating dimensions relate back to fundamental conceptual oppositions rooted in historical forms of the relation between the poor and the rest of society. According to these dimensions three different groups of countries are identified according to the regulation mode of their social assistance schemes.

[19] Remaining clusters are the selective welfare systems (AUS, NZ), the public assistance state (USA) and the centralised discretionary relief (JAP).

Typologies of assistance schemes according to poverty regulations modes

	Main responsibility	*Definition of populations*	*Definition of assistance*	*Intervention mode*	*countries*
Auto-centred regulation	State	Unitarian or category-specific	Need or status	Bureaucratic	FR, UK
Negotiated regulation	Shared	Unitarian	Need	Individualist	DE, BE, NL, SE
Local regulation	Local	Category-specific	Status	Bureaucratic (‘clientist’)	ES, IT

Source: Paugam et al. 1999, Our translation

We find in these typologies for social assistance schemes more or less the same fundamental clustering as the one highlighted previously by Esping-Andersen for mainstream social protection in European countries. This is not surprising, GMI schemes are a residual part of social protection institutional arrangements and structured by the same fundamental conceptions of protection against social risks and the way to regulate the latter, poverty being understood as a risk among others. In other words one could not research ‘models’ in GMI schemes without returning to the fundamental characteristics of global social protection organisation. Of course these clusters are not immutable and European social protection and assistances schemes evolve in each of the European countries. Since the publication of the Paugam et al. study, France has experimented with fundamental reform of the Revenue minimum d’insertion (RMI) which was partly decentralised to regional levels in 2003, thus France is now closer to the Negotiated regulation cluster. Another change concerns Italy which, since 2003, no longer has a universal minimum income scheme but only a discretionary regionalised system (Reddito di Ultima Instanza). The generalisation of activation of social assistance recipients in Europe is also increasingly decentralising and individualising the intervention mode and therefore giving more room to subjective discretionary elements even in countries with a more non-discretionary tradition.

In their background paper for the EU Commission peer-review on minimum income Kazepov and Sabatinelli propose a classification of social assistance schemes in EU 15 using the Esping-Andersen’ social protection clusters of countries that we discussed previously. Therefore we can better distinguish the relationship between GMI schemes and the global disposal of social protection:

- In the *Liberal welfare regime* (UK, IE) social assistance is a universalistic measure but strictly means-tested. Compared to other countries in Europe the generosity and adequacy of income support levels are on an intermediate position, lower than in Scandinavian countries, but definitely higher than in South European ones. In the last decades, a sharp retrenchment of social expenditure was put on the political agenda, but the legacy of a highly developed welfare system allowed maintaining the core of social protection. Social assistance benefits per se are more or less managed homogenously throughout the country, but the joint Public Employment Services and Benefits Agency management of the New Deal[20] is increasingly fragmented and

[20] In 1998 UK introduce the New Deals programs which are welfare to work measures conditioning benefits to job search. Initially targeting young people (New Deal for Young People) these New Deals have been extended to other groups considered at risk (Long-term unemployed, lone parents, disabled, 50+, partners of claimants, musicians). The responsibility of social assistance has been transferred at local level to the Job Centre Plus which now cumulates the tasks of employment offices and social assistance management.

depends very much on the resources available locally, which are related to the degree of competitiveness regions and cities can achieve on the market.

- In the *Social-democratic welfare regime* (NO, DK, SE, FI) social assistance is a clear right for those who are not able to maintain themselves; the payment is assured according to the persistence of the need. Recipients are entitled to a number of supplementary benefits (housing benefits, family and child allowances) which, in most cases, lift them over the poverty threshold. Social assistance is only a residual part of the Guaranteed Minimum Income (GMI) package, a last-resort measure that intervenes to top up the other benefits to the social assistance threshold. Adequacy of income support is a fact and local differentiation is very little, except for activation measures, which depend on local political and economic arrangements.
- In the *Corporatist-continental welfare regime* (BE, NL, LU, FR, DE, AU) social assistance is still a clear right, but the family is its target much more than the individual. Levels are lower, but still generous. Specific monetary and in-kind measures are targeted to families in order to sustain them in the major caring role assigned to them (active subsidiarity). These, however, may vary at the regional level and, again, activation measures differ considerably, even though within a frame of guaranteed rights.
- Finally, the *Southern-Familialistic welfare regime* (ES, PT, IT, GR) is the most problematic one. GMI schemes have only been introduced since the Nineties and levels of benefits are the lowest in EU 15. Local differentiation and discretionary powers of social workers are much more spread because of heavy budgetary constraints. Moreover, families carry a burden of heavy responsibilities, but are not the target of specific policies (passive subsidiarity). (Kazepov and Sabatinelli, 2005)

What is important to retain from these attempts to discriminate coherent groups of countries according to the features of their social protection and assistance schemes is that they put into perspective the existence of different conceptions among European countries on fundamental structuring dimensions such as the responsibility and the basic principles for action, the identification of beneficiaries and the modalities of intervention. These different conceptions have to be taken into account in any debate about social issues in Europe, especially when discussing issues such as common minimum standards. A standard (or common framework for it) has no chance of being commonly agreed and implemented if it doesn’t accommodate these different visions.

Basic principles

If we look at the basic principles structuring GMI schemes we can distinguish between different groups of countries. A first group is constituted by countries where GMI schemes are aimed at providing a sufficient replacement income to maintain or reach living standards socially recognised as the necessary minimum to live a decent life (DE, AU, FI, SE, NO, MT), some adding also explicitly to this formulation an objective of social integration (through activation) (DK, BE, LU, NL, FR). In another group of countries the aim of GMI schemes is more expressed in terms of subsistence minimum (ES, PT, SI, BG, RO, CZ, SK, EE) or targeted towards people or households in need (UK, IE, LV, PL). Spain and Luxembourg are the only countries referring explicitly to the fight against poverty and social exclusion as the aim of their GMI schemes.

In almost all countries, the right to the minimum income takes the form of a ‘subjective non discretionary right’, which means that it is not granted automatically but has to be claimed by individuals and that its level is guaranteed by laws or administrative rules in an equal way to all citizens. The means-testing of the benefits and the conditioning to active job search for those able to work are common to all the guaranteed minimum income schemes. Another common characteristic is that the amounts of the benefits are adjusted according to the composition of households. The basis of entitlement is generally the legal residency, either individual or the household/family. A common trend in many countries is the decentralisation of schemes which are fully or partially ruled and managed directly by regional levels with a growing involvement of local levels.

Beyond these common characteristics there are also major factors of dissemblance between the schemes. The level of the benefits granted is quite heterogeneous in the enlarged EU – for a single individual (and without taking into account the other social transfers) it could rank from 28 euros in Latvia to 1130 euros in Denmark. But in some Member States, where the level of general scheme benefit is lower, it is supplemented by specific allowances for housing, health, family benefits or specific allowances to bear costs of basic services (costs of education, heating, gas-electricity, transportation). In certain countries there are also specific guaranteed minimum income schemes for particular groups of the population such as old-age persons or invalids. The safety net may include access to specific services (legal counsel or representation, over indebted help) and sometimes to benefits in-kind (food or clothes). In countries where the diversity of support services is high this could give the impression of fragmented safety nets where the right to a minimum income may prove to be difficult to fully acquire. This may have important consequences in terms of non take-up of rights (see below).

Institutional features

In all countries, except Spain, the GMI schemes are centrally managed and controlled by the State. Their financing is also fully ensured by State in a majority of countries (LU, PT, UK, IE, CY, MT, LT, SI, CZ, PL and BG) while in others there is a mixed system of financing involving central state and regions (generally a predominant part of State funding) (DK, NL, BE, DE, UK, EE, SK) or only by regional and local authorities (ES, FI, SE, NO, LV, RO). In the vast majority of EU countries local (DK, FI, SE, NO, UK, NL, BE, EE, LV, SI, CZ, PL, BU, RO) and regional (FR, EE, AU, SP, SK) authorities are in charge of the implementation of GMI and associated services to the population.

Coverage and accessibility

In a rights-based approach and as a universal last resort safety net, the provision of minimum resources must not simply be offered but guaranteed to all people who need it to ensure human dignity. The GMI schemes must ideally cover all the population, irrespective of their origin, nationality or legal status. Nevertheless, in practice, two main factors tend to restrict this universal coverage.

The first relates to the institutional features of the schemes which condition and thus restrict the entitlement of individuals; this is the issue of **non-coverage**. In all EU countries the right to access the GMI scheme is filtered by different conditions that have to be fulfilled. From an individual perspective the exclusion from the right is involuntary, generated by the system itself. The conditions may concern means-testing of household income but also individual characteristics such as nationality, age or willingness to work. This issue could not be dissociated from the long ongoing debate, especially in Anglo-Saxon countries, on the efficiency of selective targeted policy measures and schemes versus more universalistic ones.

We will not really enter here in this debate but just highlight that one main argument opposed to tenants of selective measures is that they increase the probability of non take-up and thus undermine the global efficiency of policies.

Let us notice here that GMI schemes, given their last resort nature and the generalisation of means-testing, are de facto targeted schemes. To be efficient a (targeted) measure must at the same time be narrow enough to ensure that it reaches those effectively in need but wide enough to incorporate the whole range of the needy population. This balance is in practice quite difficult to reach. If various studies show that more universalistic welfare regimes tend to be more effective to reduce poverty and inequalities (Math) the universalistic schemes are also more expensive in terms of public spending. Policy deciders make arbitration in this cost-efficiency trade-off. In recent decades increasing pressure in all EU countries to control and reduce public expenditures has induced a certain retrenchment of welfare and public services. This has been gradually translated into more conditionality of these social provisions while the use of means-tested benefits has been growing in all EU countries over the last fifteen years. Welfare regimes have become more individualistic and less universal than before. As GMI schemes act as a last resort safety net they are under more pressure, due to the introduction of higher conditionality in other social protection schemes, such as unemployment benefits for instance.

The second factor of coverage limitation concerns behavioural attitudes of the potential beneficiaries of schemes, which leads them to not claim what they are legally entitled to; this is the issue of **non take-up**. From an individual perspective this non take-up may result from voluntary decisions for different reasons: fear of social stigmatisation (particularly for social assistance), mistrust of public services and complexity of procedures, fear in losing part of their income due to means-testing, rejection of related constraints imposed on other household members (obligations of family support, activation of partner, etc.). The non take-up can also be seen as involuntary when based on a lack of information to the individual about his/her social rights.

Conditions and complexity in access to GMI schemes increase the probability of non-take-up. So, both factors act to restrict the coverage and thus the impact and efficiency of GMI schemes in the fight against poverty. Nevertheless, in academic literature the issue of non take-up of rights has attracted much more attention than the issue of non-coverage, narrowing down the focus of research to the behaviour of potential users. This is also symptomatic of a general trend observed in economic and institutional literatures to focus more on supply side and behavioural attitudes of individuals than demand side and institutional features of (social) markets to explain deficiencies, gaps and trade-offs of these markets. The same logic is increasingly at work at European and national levels in discussions around the Lisbon strategy, especially since it has been revised and centred on employment and growth as the main objective for Europe. The increasing focus on “activation” of social protection and the so-called Make Work Pay policies tend to stigmatise “too generous” social protection benefits as inducing disincentive effects on the willingness to work of social recipients and thus as the main reason to explain unemployment and inactivity. This shift in policy discourses from social solidarity to individual responsibility, from rights to obligations, participates in the development of non take-up attitudes by stigmatising and conditioning social assistance.

If it is difficult to disentangle the respective effects of non-coverage and non take-up what academic literature shows us is that the proportion of individuals concerned is quite worrying from a social policy perspective. According to a recent literature review of non take-up in the

OECD countries 20 to 60% of people eligible for social assistance and housing benefits do not claim their right (Hernanz & al., 2004). This means that to reach full-coverage the budgets for social benefits must be seriously increased, as well as the public investment in modernisation, simplification, transparency and quality of administration of these social schemes[21].

Nevertheless, the extent of this budgetary gap has to be put in perspective with the low weight that budgets for social assistance represent in the total of social protection expenditures of EU member states. According to Eurostat data, expenditure dedicated to income support schemes represent only 1.4% of the total of benefit in 2003 for EU 25. In certain countries they represent a higher share of total benefits: around 4.5% in Cyprus, Netherlands and Slovak Republic and around 3% in Denmark, Lithuania and Czech Republic. If we look at the share that income support benefits expenditure represent in the global wealth of the country, we see that they weigh only marginally, representing less than 1% of the GDP in all countries, with an average of 0,2% of GDP for the EU 25. Thus, contrarily to other branches of social protection which are increasingly under constraint for reasons of financial sustainability, this is not an issue for minimum income schemes. Even a doubling of expenditures in GMI support would have a limited impact on the volume of total social protection expenditures.

In the vast majority of EU countries the entitlement to GMI schemes is a right granted on an individual basis while taking into account the household situation in the assessment of individual right. Malta is the only country where family is mentioned as the exclusive unit of entitlement, but family is also explicitly mentioned in other national regulations (DE, SP, SK). In the rest of EU countries entitlement is not linked to individual and/or household situation but is granted according to legal status, being citizenship (LU) or residence (LV, CZ, PL, SI). Some countries also extend explicitly the right to particular legal categories of population (stateless, refugees, asylum seekers) (BE, DE)[22].

The right to minimum income is granted to all legal and permanent residents in the entire EU, generally without specific requirement of nationality, which is in phase with the universalistic nature of the last resort safety net of social protection[23]. Nevertheless, in certain Member states the regulations on minimum income schemes distinguish national and permanent residents (DK, NL, FR, DE, and MT). Non nationals have access to GMI as long as they are considered as permanent residents. In Denmark the long-term GMI (more than six months) is granted to nationals but foreigners can benefit of the help only if they live in the country for least 7 years. Note that for both conditions (residence and nationality) the criteria for the attribution of the status generally include the condition of having sufficient resources to live on ones own, through employment or personal capital, excluding de facto people and households for which GMI is the main source of income. In certain countries the condition of legal residence is also reinforced by supplementary conditions on the number of years of residence (DK, LU, and SP) and/or in the region or locality (SP, LV) delivering the GMI.

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[21] For instance, a study on the Finnish situation, combining data about actual income with questions about households' attitudes, perception and experience with public assistance, came to the conclusion that the number of potential users (households entitled to benefits and not receiving them) was 1.5 times larger than the number of actual beneficiaries. Achieving full coverage would have meant a doubling of the budget for public assistance (Virjo I. (1999), 'The Extent and Motives of Non-utilisation of Social Assistance (summary)', *Janus 8*, 1, p. 28-44; quoted in Nicaise et al. (2003)).

[22] This does not mean that certain other countries don't, as these categories of population could also be implicitly entitled through their status of legal resident or through national or regional adaptations of regulations.

[23] Although it left aside individuals which have no legal status or are not in condition to be considered as permanent residents (insufficient time of residence, nomads)

Another important restriction of access to the GMI schemes is their limitation to specific age categories. The majority of EU countries do not impose an age limit for eligibility to GMI; nevertheless they rely on legal obligations to sustain family members (children and parents). The level of GMI is calculated according to household composition. When there is an age condition it generally concerns those under 18 years old (BE, NL, IE, UK, PT, PL, SI, MT) but in certain countries the age limit is set at 25 years old (FR, LU, SP), which may be an aggravating factor for poverty of the young[24]. In all countries with an age restriction there are however exceptions for young parents or pregnant women. There is also a restriction of access to the GMI schemes to a upper limit of 65 years old in certain countries, individuals beyond this limit being automatically eligible to minimum pension schemes (BE, FR, PT, MT)[25]. As these four countries apply age restrictions at both ends of age distribution, they limit the scope of GMI schemes to what is generally considered as the working age population. In countries where no upper age limits exist older people still benefit from the GMI scheme while their legal pensions are taken into account as personal income to set the amount of the GMI.

Among factors restricting coverage of GMI schemes the duration of right is also an important parameter that may be restrictive. As a universal safety net there should not be any limitation in time for these benefits. This point is specifically mentioned in the 1992 Recommendation on minimum income and also in social charters. And this is certainly the case in the majority of EU countries[26]. But in certain countries the right to minimum income is limited by time, although renewable. This means that beneficiaries have to justify their situation at regular intervals, with all it implies in terms of stress and uncertainty. These intervals are of 1 month (EE), 3 months (FR, LU, LT, RO, SI), 12 months (SP, PT) or 24 months (SK). In Latvia minimum income is granted only nine months a year. The financing of long-term beneficiaries may also shift from State responsibility to local one after a given time, such as in Slovakia or Denmark, which may result in increased targeting of this category of GMI beneficiaries by the local authorities for budgetary reasons.

In all EU countries eligibility to GMI schemes is allowed only if claims to other social protection schemes have been exhausted by the individuals and/or households. In many countries GMI claimants are assisted by social workers to qualify for other schemes, and “bridge allocations” are granted in the meanwhile. In some countries the eligibility to GMI is also conditioned by the exhaustion of legal obligation for partners and/or family to support spouse and/or children and relatives (DK, NO, LU, FR, DE, LV, SN, BU). If the claimant has a right to other social benefits these may be taken into account as resources when setting the amount of GMI (CZ, LV, LT) or their amounts topped up to reach the GMI level (UK, NL). In a certain number of countries claimants to GMI schemes are expected to have exhausted their own capital and their personal and/or household assets are not allowed to exceed a certain limit (UK, SE, SI, CY, AU, PT). In Romania beneficiaries of GMI have to provide, every 3 months, a certificate of (low) income.

[24] In its 2001 Annual Report, the French National Observatory of Poverty and Social Exclusion highlight the age limitation of the minimum income (RMI) as the main reason of poverty among the young people, especially students (Observatoire National de la Pauvreté et l’Exclusion Sociale, 2001, Rapport Annuel 2001, La Documentation française, Paris)

[25] Note here that in Greece, Hungary and Italy, the 3 European countries where no general GMI schemes exist, there are nevertheless minimum pensions schemes.

[26] Although in these countries the right is to minimum income is granted without limitation in time this does not mean that there is no control of the household income situation. This is done through regulatory obligation of the claimant to declare any change in its financial situation, with sanctions and obligation to reimburse in case of non-fulfilment of this obligation.

A major element of conditionality has been introduced or emphasised more recently in GMI schemes. In all European countries social assistance recipients are expected to be available for job search and activation measures. This overarching trend in GMI schemes has important repercussions as it introduce compulsory obligations that may not only increase potential non take-up but also aggravate the situation in terms of poverty as sanctions (generally temporary suspensions of allocations) are foreseen and eventually applied to people already on the last resort scheme, with no further possibility of help. We will discuss more in depth these issues in the forthcoming section on activation.

Activation and employment

A strongly affirmed policy trend to all EU Member States since the end of the nineties is the intensification of the so-called activation of welfare policies and the increasing use of training and job search assistance measures to encourage individuals to (re)enter the labour market. There has been a paradigmatic shift in policy discourses at European and national levels to highlight the need to activate 'passive' welfare expenditures accompanied by a moral discourse emphasising individual obligations (to work) rather than rights (social protection). These measures have been primarily targeted to the unemployed but in recent years extended to all individuals "on the margins of labour market", to use the actual terminology in European discourses, including thus social assistance recipients but also other individuals out of the labour market and supported by different segments of social protection schemes (incapacity, disability,…). This topic of activation of people at the margins of labour market is at the heart of a recent Communication of the EU Commission launching a consultation on the issue (improperly named Communication on minimum income) and at the agenda of the EU Employment and Social protection Committees.

This focus on activation is increasingly affirmed at European level since the Nineties and the abandonment of policy objectives aimed at fighting unemployment in favour of policies targeting primarily full employment and economic growth. The recent renaming of the Lisbon strategy into the Growth and Jobs strategy is clearly illustrative of this paradigmatic shift. One main driver of this shift is the relative failure of the fight against unemployment. Since the end of Eighties unemployment levels have not been significantly reduced in Europe and worse has even been increasing in some countries. In many countries the search to reduce unemployment rates has mainly resulted in two intricate policy trends. There has been first an extensive recourse to activation policies across all European countries to improve attractiveness of unemployed for employers (employability focus) while multiplying incentives for employers to hire specific vulnerable groups (subsidised jobs for particular status). These policies were completed by policies aimed at making (low quality) jobs more attractive for those out of the labour market, notably by topping-up (low) work earnings through fiscal redistribution (tax credits) or specific measures such as the possibility to combine for a given duration social assistance benefits and job earnings (Make work pay). Following the usual 'stick and carrot' logic of incentive policies, these measures have also gone with a marked tightening of unemployment schemes (conditionality, duration or control) and diminution of benefits levels.

While activation policies may be seen as a positive approach (depending on how they are oriented and implemented) the retrenchment of unemployment protection is more negative as it has generated an augment of the number of people excluded not only from the system of unemployment but also from the normal labour market functioning (employers recruit among those considered able and available to work, typically the unemployed category).

Furthermore, these people were also de facto excluded from the support provided through activation measures primarily targeted towards unemployed. Beyond exclusion already generated by increasingly structurally more precarious labour markets this exclusion has been reinforced by various policies aimed at artificially reducing the numbers of unemployed, such as manipulation of statistical categories composing unemployed population (exclusion of older unemployed for instance) or extensive use of early retirement schemes for older workers and also through loosening of eligibility conditions to other social protection segments to encourage direct (from job termination to incapacity or early retirement) or indirect (from unemployment to incapacity or early retirement) transfers from one status to another[27]. By an effect of connected vessels the reduction of unemployment protection has also generated an important augmentation of the number of people depending of other social protection segments, and notably of those depending on social assistance. The limits of these excluding policies and their contradictory outcomes with more recent policy concerns about financial sustainability of social protection systems in Europe (given notably to the increase burden of pensions expenditures due to an ageing population) has contributed to shift the focus to full-employment policies aimed at maximising the number of people at work and thus financing the schemes through social contributions or taxes. This willingness to maximise number of workers while reducing budgetary burden of social protection schemes explains the scope extension of activation policies from people at the heart of labour market (unemployed as component of active population) to those at the 'margins' of labour market (globally all inactive population in age and considered available to work).

Even if traditionally present in some of the national GMI schemes the requirement of availability to work and for activation measures was generally loosely applied as unemployed were the primary target of activation policies and social assistance recipients perceived too distant from the labour market. The situation has changed since the end of the Nineties and now availability to work is clearly an important eligibility condition for access and permanence in GMI schemes. Willingness to work is a mandatory condition in all EU countries with a GMI scheme, as well as the obligation to participate in training and education to improve employability of claimants. Claimants have to register at labour offices (DE, PT, IE, UK, EE, SK, BU, RO) and/or to sign an integration contract (BE, LU, FR, PT, SI). In countries such as UK[28], Netherlands or recently Germany the social assistance and labour offices have been merged and both functions are from now on joined, setting a strong emphasis on activation of GMI beneficiaries. In some countries the transfer of responsibility for GMI schemes from national to regional/local levels has resulted in a stronger activation pressure on social assistance recipients, especially when the transfer of responsibility has not been accompanied by sufficient budget reassignment from central State (FR). There could be obligations for GMI beneficiaries to do a certain number of hours of community work (SI, SK, BU, RO). Some

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The so-called 'Dutch miracle' during the Nineties, when Netherlands succeed in reducing spectacularly the number of unemployed people and was at that time seen as an interesting model to be followed by other European countries (a best practice), is quite illustrative of this policy trend. Various researches have since underlined that the reduction of unemployment was accompanied notably by a real explosion of the number of people entering and staying in incapacity or early retirement schemes, transferring thus the charge from one social protection segment to another. The limits of these policies are obvious as they increase the burden of social protection budgets (as related benefits are generally set at a higher level than unemployment ones) but also discourage individuals to re-enter the labour market (especially in low quality jobs) and exclude them from the benefice of training and job search assistance measures for instance (as these are generally targeted to unemployed first).

[28] In UK people able to work are directly entitled to the Job Seeker Allowance and thus excluded from the GMI scheme (Income Support), but workers with less than 16 hours/week contracts may benefit from Income Support.

exceptions are allowed to this obligation of training and job search. This is generally the case of partners of the claimants, excepted in Denmark and The Netherlands where partners are constraint to same obligation (excepted if child or family care). Germany and The Netherlands include (old) age exemptions to the obligation of job search, while in other countries older beneficiaries are generally subject to a higher 'tolerance' in the completion of this obligation, reflecting by that the condition of labour markets[29].

Although mandatory in all countries there are different understandings and degrees of this willingness to work, reflected in the concepts used in GMI regulations to qualify an 'acceptable' job offer. It is in Cyprus and Norway that we found the main restrictive definitions, a GMI beneficiary being expected to take "all work" (CY) or "any available work" (NO). Other countries refer to concepts where qualitative elements of the proposed job are considered. Austrian and German regulations make reference to "reasonable" or "within reason" work, while in Belgium and Netherlands the concept of "suitable work" is used. In Finland and Sweden the acceptable job is explicitly defined as providing a sufficient wage. In a few countries GMI beneficiaries are only expected "to be ready" to participate in activation or training measures (FR, LT, LU, PL, PT). There is in all countries a certain degree of discretionary flexibility in the way workers of public employment services appreciate the adequate character of the offered job or the willingness to work of the claimant.

If extending to social assistance recipients the support measures to find jobs and improve employability could have a positive impact for them, there are nevertheless various questions raised by this new approach. One could not simply transfer methods and tools used for activation of unemployed persons to this new public, as social assistance recipients are generally farther from labour market integration and much more difficult to reinsert in many cases. The efforts made are on a longer term and generally need a specific support not only during the process but also after it with a dedicated follow-up when people are working.

A challenge is that adopting activation procedures designed for unemployed and social assistance recipients implies a redefinition of responsibilities and roles between central, regional and local stakeholders. This reshape of institutional arrangements is difficult and generates increased complexity and fragmentation of the systems. Unemployed and social assistance recipients are usually managed by distinct practitioners with proper skills and know-how. Employees of labour offices are not necessarily familiar with social assistance recipient's specificities and needs and reversely social workers have weak knowledge and practice of activation procedures. These different worlds have to cooperate together from now on but it is easier said than done. Thus, attention should be paid to avoid that this finally result in more damaging effects for social assistance recipients, which are a more fragile and vulnerable group than unemployed. This illustrates the difficulty to transpose without adaptation elements of activation procedures and requirements intended for unemployed persons to social assistance recipients. From a social policy perspective this means also that the gain could be negligible as the potential number of reinserted persons is marginal in comparison of unemployed population and that activation of social assistance recipients results more expensive given the need to adapt institutions and procedures but also to situate the whole process of activation on a longer term perspective. Widening the number of activation beneficiaries implies thus also to guarantee adequate public financial investments in order to avoid an undermining of activation efficiency.

[29] This is explicit for instance in the Belgian GMI scheme where the signature of an integration contract, which includes council and help in job search, is mandatory for young people from 18 to 25 years old while only voluntary for others.

Another problem comes from the introduction of excluding sanctions attached to social protection schemes which act primarily as a last resort. In case of non fulfilment of work or training obligations by social assistance recipients some countries explicitly make reference to sanctions (DK, NL, DE, EE, LV, LT, BU). These sanctions are generally temporary suspension of allocations.

There are also excluding conditions present in GMI schemes in relation to the reasons why the previous job was lost. In Ireland, workers involved in trade disputes are excluded from the benefit of the scheme (but GMI is paid to their dependents). In Luxembourg claimants must not have abandoned work without ‘sufficient’ reasons or have been fired for ‘serious’ reasons. The question here is the way to assess the legitimacy of these reasons, and also who does it. In all countries the reason of job loss is taken into account to grant access to unemployment benefits and could be a motive for exclusion from the scheme, but excluded people could nevertheless still access to guaranteed minimum income, which stands as the last resort safety net. But when these excluding conditions linked to the reason of job loss are also applied to those already reduced to the last resort schemes there is a serious problem as no further possibility of assistance exist.

Furthermore, higher conditionality introduced by activation requirements may also result in significant non take-up effects. The outcome could be to swing numerous persons out of any social protection and thus to aggravate the situation of poverty and social exclusion rather than reducing it. We found no mention in GMI schemes regulation of what are the possibilities left to people excluded from GMI schemes, except to go to Courts or administrative jurisdictions to contest the decision.

A related issue is the amplified role of subjective discretionary appreciations induced by activation conditions in schemes that by nature should be universal and non-discretionary. We already mention earlier in this report that the unconditional and universal nature of GMI schemes is essential to ensure their primary function of last resort safety net. We mention also that in some countries some supplementary one-time or exceptional allocations or payments were left to the discretion of social workers. The emphasis on activation of social assistance recipients and the possibility to sanction in case of non-compliance with obligations introduce a strong discretionary element in GMI schemes as the appreciation of both compliance with obligations and willingness to work is mainly in the hands of social workers or labour offices servants.

The term ‘activation’ has different understandings in Europe with very different orientations. Activation is achieved through a complex combination of obligations with empowering measures in terms of education and training and services to improve job finding and keeping opportunities. But the way to measure and combine these elements could vary significantly across EU countries. There is a world of difference between activation conceived as an inclusive process helping people to develop and mobilise their own capabilities in order to escape benefit dependency and poverty (welfare to work) and at the opposite a conception of activation only in terms of workfare which force people to take ‘any job’ against their will and capabilities in return of benefits. European countries activation practices range along this scale according patterns related to their general historical welfare organisation. These diverse activation practices are in fact relatively coherent with the welfare regimes clusters we draw attention to in the beginning of this report.

But what really matters from a social inclusion standpoint is to ensure that activation of social recipients is aimed at empowering them to (re)enter durably in the labour market and improve not only their actual situation but also their future perspectives and social inclusion on the long term. This will not go without sufficient investment in political and financial terms. The complexity of problems to face and the diversity and specificities of people living on social assistance require tailored intervention for individual needs and expectations in order to reach successful activation. Recently the European network of associations involved in the fight against poverty (EAPN) highlights 12 criteria of what should be a “good” activation:

1. Improving personal, social and vocational skills and competencies and enabling to further social integration;
2. Individualised and flexible offers taking the whole person into consideration and acknowledging diversity of age, experience etc.;
3. Relevance of the offer for the individual person’s needs, wishes and priorities;
4. Aiming to overcome or compensate for the excluding forces in society;
5. Wide range networking with relevant actors at local level, such as actors on the labour market, health care services, social services, housing sector, communities etc.;
6. Respecting the individual’s identity and self-respect;
7. Achieving quality compared to ambitious social standards;
8. Raising status;
9. Building on reciprocity between the individual and the (municipal) agency;
10. That the planning, the design and the implementation of activation is carried out in co-operation and interaction between the claimant and the (municipal) agency;
11. Involving the resources and strengths of the claimants;
12. Using adequate social income, including minimum income, as a positive tool likely to guarantee the security needed for activation. Benefits should be used also as a positive incentive to face the extra costs and risk when resuming a job after unemployment. (EAPN, 2005)

We agree with these criteria however we wish to add a supplementary aspect which is of significant importance for sustainable social inclusion: the quality of offered jobs. Social inclusion could be achieved through jobs which offer not only decent working conditions but also decent perspectives in terms of earnings, duration, status, protection, social mobility but also social and family life. Recent evolutions of labour market policies in Europe are undermining this qualitative approach as more emphasis is put on quantity rather than quality of jobs. Although very demanding in a context where ensuring quality of ‘normal’ existing employment is already increasingly challenged this qualitative need is nevertheless a key condition to achieve fully inclusive activation.

As mentioned earlier the issue of activation of social protection recipients will be intensively discussed at European level this year. The European Commission launch a consultation on action at EU level to promote active inclusion of people ‘furthest from the labour market’ (COM (2006) 44) which notably concerns all EU stakeholders involved in the fight against poverty for the question of social assistance recipients activation. The issue is also on the work agenda of EU Committees of employment and social protection.

Adequacy of benefits

Adequacy of GMI schemes is an essential issue when discussing their role in the prevention or at least alleviation of poverty. In the first section we discuss the method of fixing the GMI amount in European countries as well as other elements intervening to increase or decrease it. In the second section we examine what are the relations between two main minimum incomes for working-age population, the GMI and the minimum wage, and their relation with poverty threshold. In the next section we review some evidence on the (low) efficiency of social assistance benefits to alleviate poverty. Finally, we will discuss the possibility to use the current informal EU poverty ‘norm’ (60% median income threshold) as a reference benchmark for the setting of GMI.

Determination of the minimum

In all EU countries the level of GMI allowances is set in a non-discretionary way by national or regional (ES, DE, AU) governments under the form of a means-tested differentiated amount between household income and standard rates. In Norway[30], Sweden[31] and to a lower extent The Netherlands[32] the final amount is fixed by both national and local authorities. In Romania the Social Aid is set by a national law but funded only by local budgets, the amount being fixed by mayors depending on budget availability. A more discretionary element is also present in certain countries where eligibility to some one-time or specific needs payments is left to the appreciation of social workers or local committees (IE, UK, NL, DE).

It is difficult, at least based on the available MISSOC information, to determine how the level of GMI is fixed by authorities and what precise concrete references are used. It is just as difficult to assess if this difficulty reflects only the limitation of the MISSOC source or a certain lack of transparency in the criteria used by countries to set the level of GMI. In countries with a longer tradition of GMI, such as Belgium or France for instance, the actual amounts are the indexed continuation of the “historical” initial rates but it is problematic to identify which elements, objective or not, were taken into account at the time of their creation to set the minimum amount. All GMI schemes are decreed by laws and regulations that assert the basic principles and sometimes the basic rates for these schemes but they do not explicitly mention how it continued to determine the minimum amount. Was it after a public debate or a social dialogue, or on the basis of ‘objective’ parameters, or not? It is difficult to answer these questions in a full comparative perspective for the whole EU as they are rooted in national or regional contexts, but the national seminars undertaken in the framework of this project will certainly bring some elements of information on these issues.

In one group of countries, where GMI is conceived in terms of commonly agreed decent standards, the amount of GMI is more frequently set as a share of another minimum income standard, reflecting the people’s expected “normal” source of income, which is related to work. This is the case for the minimum wage (LU, NL, SK, MT, RO[33]), minimum pension (LU) or unemployment benefits (DK). In a second group of countries, where GMI schemes are implemented with the view of meeting basic needs, the amount of GMI is fixed by reference to the cost of these basic needs being under the form of standard rates for minimum consumption of specified items (food, clothing, hygiene, health, housing costs and/or

[30] No fixed amount of the minimum level of the benefit is set by law. The benefit has to be set at a level which secures the claimant "a dignified life" or a "decent minimum". Central guidelines are provided on how to interpret the Social Services Act with respect to the term "secure subsistence". They point out the expenses for which support should be given. The Ministry of Health and Social Affairs gave in 2001 guidelines on reasonable amounts. "Local rates" guidelines are set by municipalities.

[31] For some items of expenditure the Government and Parliament decide the amount yearly. For other items the municipalities ought to pay the real costs if they are reasonable.

[32] Norms for married couples/ cohabitants, lone parents and single partners are determined at a national level. Local municipalities determine the additional allowances of no more than 20% of the minimum wage for persons living on their own, who cannot share their housing costs with another person.

[33] Note here that the case of Romania is quite particular as it refers to various reference standards simultaneously (minimum wage and a basket of goods) but also the availability of budgets at local level.

equipments, …) adapted to household composition (NO, SE, FI, DE, AU, CZ), or by reference to a budget survey and a basic basket of goods (RO, BG, CY, LT). Another criterion to be mentioned, as in some cases it could be the main determinant of the minimum amount, the availability of budgets to finance the GMI schemes. This is expressed explicitly in the formulation of certain GMI schemes, particularly when these are decentralised at regional (ES) or local (RO) levels, but also at national level in the case of Latvia.

The amount of GMI is primarily determined by the size and composition of the household. It is generally set starting from an individual basis (the claimant) and then the household composition is taken into account using two main procedures: the basic single amount could be topped-up by adding specific amounts for each members of the household, according to their situation and/or age (specific rates); or the basic single rate is modulated by a household size and composition coefficient, using a kind of equivalence scale.

As we mention earlier one common characteristic to all GMI schemes in the EU is means-testing. The level of the amount depends on the available resources of the household but also on rules concerning the inclusion or not of certain resources in the assessment of claimants' household income. In a certain number of EU countries absolutely all the resources of the household are taken into account (FR, DE, ES, NO, PL, LT, LV, BG, RO) before setting the minimum amount. The resources assessment is thus very strict and may imply less generosity in the benefits but also potential non take-up effects. In other EU countries some exceptions are allowed and parts of the household resources are not counted. This is notably the case of family allowances in order to maintain their redistributive function for households with children (BE, NL, LU, IE, PT, DK, SE, AU, CY, MT, SI, SK)[34]. Other resources that may be excluded from the means-testing concern shares of work earnings (PT, SK, CY, DK) or unemployment benefits (SK); minimum amount of own assets of the household (DK, FI, NL); or individual disability benefits (UK, DK, CY, EE).

While we discuss here mainly basic GMI schemes it is also important to consider that in a certain number of EU countries these could be complemented by supplementary benefits to cover housing, health or education costs. These complementary benefits could play an important role in the alleviation of poverty (see further section on efficiency).

Most of these benefits are related to housing costs and paid as general housing allowances (FR, DE, NL, SE, FI, DK, SI, CZ, SK, LV, CY, MT) or under the form of specific supplements for housing costs such as heating[35], energy supply or water (AU, UK, IE) or to cover rent costs (LU, IE[36]). The granting of GMI generally opens an automatic access to social housing. There are also possibilities for one-time extraordinary payments, generally left to the discretion of social workers, for house equipments (NL, AU, CY, SK).

Health care costs of social assistance recipients are covered in different ways, being through a universal health care service (DK, NO, SE, FI, SE, CZ, SK) or automatic assimilation as 'normal' users (ES, FR) or entitlement to free voluntary sickness insurance (BE, LU) or through specific schemes for low income persons (IE, CY, MT). In some countries health

[34] In Germany specific child raising benefits are allowed to social assistance recipients. In UK low income households are eligible to child benefits system.

[35] Notice here that in certain countries extraordinary supplements for heating costs are allowed by authorities when energy prices and meteorological conditions are decreed as exceptional (FR, BE).

[36] In Ireland the GMI recipients may also qualify for the Supplementary Welfare Allowance which includes payment of rents or mortgage repayments.

expenses (to a certain amount) of GMI recipients are directly paid by social services (AU, DE, PL) and specific supplements or free prescriptions could be allowed for dental or eyes treatments or drugs (DK, UK).

Other specific supplements[37] could also be allowed for education or training (AU, DK) or to compensate costs linked to participation in activation schemes (DK), to cover extraordinary expenses in unexpected circumstances (DE, IE, BG), for holiday bonus (CY, MT) or for specific categories of persons (pregnant woman in DE and PT) or households (lone parents in DE).

These complementary allowances can significantly improve the net income of social assistance recipients. But this improvement is partly limited by the means-testing of schemes which modulate the level of granted benefits according to the global income of claimants households. A certain number of other factors may also contribute to the reduction of net minimum income finally received by social assistance recipients.

First we need to consider the effects of tax systems. In a certain number of EU countries tax-credits have been established for low income households, generally to top-up (low) work earnings and act as an incentive to employment (BE, FR, UK, NL, FI). These tend to improve the income received by social assistance recipients. But in certain European countries households living on social assistance benefits can be subject to direct income taxation and also pay social security contributions on their benefits, which thus reduce the income finally received by social assistance recipients (DK, NL, LU, and ES).

All the GMI schemes include rules determining cases where benefits can be recovered, suspended or reduced. The impact of recovery proceedings and benefits suspensions or reductions can generate very problematic situations for households already in income poverty. We already highlight in an earlier section the various conditions surrounding the access to GMI schemes. The non fulfilment of these obligations, and notably the availability for training and activation, could lead to sanctions under the form of temporary suspension of the benefits or (partial) recovery of paid benefits. Benefits could also be recovered in cases of proven fraud, wrong granting or when they were bridge-allocations during the time necessary to claim to other social protection schemes (with retrospective application and payments).

Finally it is important to consider the existing mechanisms used to adapt GMI amounts to the evolution of living costs and to maintain a minimum purchasing power for social assistance recipients. In some EU countries GMI is annually adapted based on an inflation index (BE, FR, UK, ES, NO, SE[38], SK, CZ, SI, PL, CY). In other countries the GMI is increased using a specific coefficient (DK) or following evolution of wages (MT, NL)[39] or minimum (AU, PT) and standard (FI) pensions. Other countries leave the adaptation of GMI value to governments will, in other words to budget availability (EE, LT, LV, BG, RO). We must note here that the presence of these indexation mechanisms for GMI amounts is not a complete guarantee that they will keep in pace with the increases in living costs. It is easy for governments to

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[37] We must not forget here, although it is outside the scope of this paper, the impact of non-cash benefits that are allowed by various countries to social assistance recipients, under the form of vouchers for food or access to services (culture, health,…) or specific rates for social assistance recipients (energy, transport, communications,…) and access to dedicated services (social groceries, administrative help, guidance, …).

[38] In Sweden the reference prices of some basic items are indexed annually by national authorities while indexation of other items is left to municipalities discretion.

[39] In Malta GMI is indexed on base of the evolution of minimum wage; in The Netherlands according to the average development of contract-wages (twice a year)

temporary or exceptionally suspend or delay these indexations for budgetary reasons, or to set rules that limit the adjustment for GMI[40]. In a study covering GMI schemes in EU countries for the last decade of the 20th Century, Cantillon et al. show that while (minimum) wages have more less kept in pace with evolution of living costs this was not the case for GMI (Cantillon et al. 2003).

Relations between minimum income standards

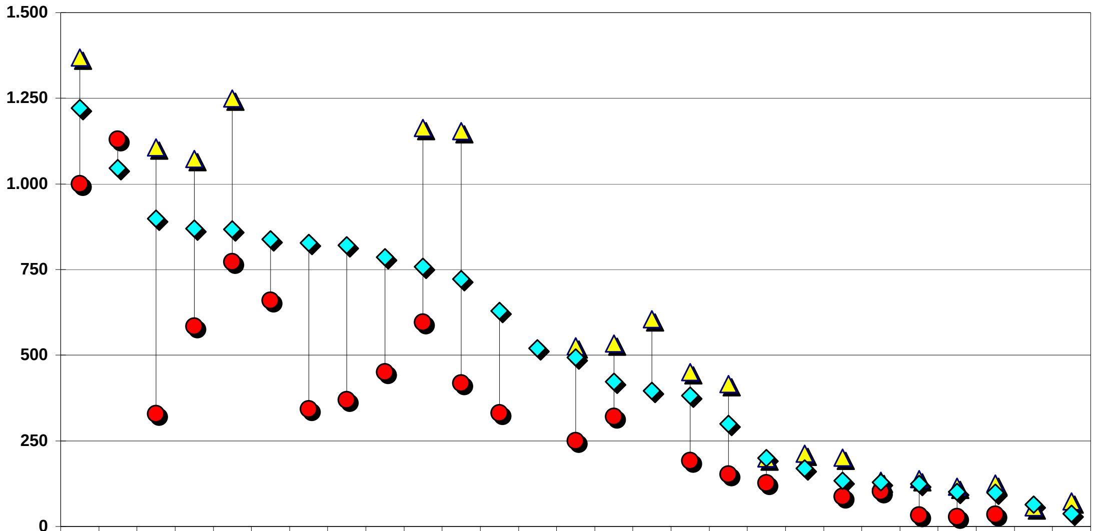
As mentioned earlier the level of GMI (for working age population) is set in relation to other minimum incomes linked to labour market earnings, GMI acting clearly as a last resort protection for persons who cannot sustain themselves through their own resources provided by their work. This relationship between (minimum) incomes is at the heart of the classical trade-off for socio-economic policies between contradictory objectives of social protection and alleviation of poverty without detriment for labour markets and economic growth, the so called Lisbon Triangle in European language. This question has also sparked off increased debate on policy implementation in Europe these recent years, the (supposed) disincentive behavioural effects of (supposed) too generous social protection benefits on work attractiveness. This assumption underpins the actual emphasis on activation of social policies and the so called Make Work Pay policies, discourses articulated around the notion of ‘financial traps’ that can be remedied in two ways: by cutting benefits (negative incentive) or by making work more financially attractive by topping-up (low) earnings and/or increasing (minimum) wages (positive incentive). All member states play with both policy levers to limit these financial traps, the difficulty being to reach equilibrium between (dis)incentive effects and protection against poverty. From a general socio-economic perspective we could say that the most balanced relationship between minimum incomes is found when distance between GMI level and poverty thresholds is minimised (protection from poverty) while on the contrary distances between minimum wage and poverty thresholds (effectiveness of work to avoid poverty) but also between GMI and minimum wage are maximised (incentive effect to work). The relation between minimum incomes is explicit in countries where GMI level is fixed as a share of minimum earnings (minimum wage (LU, NL, SK, MT, RO) or unemployment benefits (DK)) but more diffuse in other countries, although always present in the background.

In order to have insight into this relationship between minimum incomes and poverty the following diagram demonstrates the graphic relation for a single individual in 2003 for the EU 25 countries. Of course, we must keep in mind that different pitfalls exist in the available data[41] that hinder us interpreting this information in an absolute manner; it serves only to illustrate the relationship existing between various minimum income standards at a given time in a given society and under various assumptions for a single person. These typical amounts are illustrative of what countries have set as the minimal value to reward work or live decently, but they reflect only partially the real net income of social assistance recipient households, which depend on household members situations and activity, the means-testing of resources and the impact of taxation (if any). We choose to present only the situation for a single person to minimise, at least partly, the effects of these factors.

[40] In Luxembourg indexation of GMI is not applied if inflation is higher than 2,5%; in Czech Republic on the contrary there is no indexation if inflation does not exceed 2%.

[41] Among the methodological pitfalls we can mention among others for instance: that we consider here only the situation of a single person and thus neutralise the impact of other social transfers for households; that GMI is expected to be the only income of the individual, that we consider here the basic typical amount for GMI but in certain countries this basic amount is complemented by specific allowances (housing notably) which can significantly improve social assistance recipients income; …

Relation between poverty threshold (60% median income) and basic levels of certain minimum incomes for a single person - monthly values in € - 2003



	LU	DK	UK	IE	NL	SE	DE	FI	AT	BE	FR	CY	IT	ES	MT	GR	SI	PO	CZ	HU	PL	SK	EE	LV	LT	BG	RO
Minimum wage full-time	1.369		1.106	1.073	1.249					1.163	1.154			526	534	605	451	416	199	212	201	133	138	116	125	56	73
guaranteed min. income	999	1.130	329	584	772	659	342	369	451	595	418	331		250	320		191	152	126		87	102	32	28	35		
poverty treshold 60%	1.221	1.046	898	870	867	839	827	821	785	758	723	629	520	494	423	395	382	299	200	169	133	129	124	101	99	64	37

Source : Eurostat online database for minimum wages and poverty thresholds; MISSOC 2004 for minimum income typical amounts, author's calculations
Poverty thresholds for 2003 except FR, LV, LT, NL, PL, SI, SE (2002) and MT (2000)

In all European countries, with the exception of Denmark, the basic typical amount of GMI for a single individual is always under the poverty line, indicating that in the absence of other sources of income it is by itself insufficient to avoid poverty. There are nevertheless strong differences between EU member states in the extent of this distance. If we look at the share of GMI in proportion of the poverty threshold we notice that is in the Netherlands that the gap is the smallest (GMI amount represents 89% of poverty threshold) followed by countries where the GMI amount is around ¾ (LU, SK, SE, BE, MT) or 2/3 (IE, PL, CZ, FR, AT) of the poverty line. In CY, PT, ES, SI and FI the GMI basic amount is around half of the poverty line. It is in the Baltic countries that we observe the largest distance, as GMI amounts reach only around 1/3 of the poverty threshold.

As could be expected the minimum wage is above the poverty threshold in all European countries, except in Bulgaria which presents the worrying particularity of having a minimum wage set at a lower level than the poverty line (88%). Here again, we can find important differences between European countries in the extent of the distance between minimum wages and poverty thresholds. It is in Romania that minimum wages are most clearly making the difference in avoiding monetary poverty, its amount representing nearly double the poverty threshold. Then we find a group of countries where the minimum wage is also significantly higher than the poverty threshold but to a lower extent, representing from 160% to 140% of the poverty threshold (FR, BE, GR, PL, NL, PT). In other countries the distance between the minimum wage and poverty threshold is less marked, with a group of countries at around 125% difference (MT, LT, HU, IE, UK, SI). Finally for the last group of countries, minimum wages are very close to the poverty threshold, indicating that in these countries working at minimum wage levels is just sufficient to earn an income close to poverty level (LV, LU, EE); this is particularly the case in Spain, Slovak and Czech Republics where minimum wages are more or less at the same level as poverty thresholds.

If we look at the share that GMI represents in terms of minimum wages we see that it is in the Baltic countries, but also in UK, France and Portugal, that a trade-off between both incomes is clearly in favour of minimum wage, the GMI basic amount representing only one quarter to one third of the minimum wage. In the other European countries where both a GMI and a statutory minimum wage exist, the GMI amount is around one half (IE, BE, ES, PL, SI) to two-thirds (CZ, NL, MT) of minimum wage. It is in Slovakia and Luxembourg that the difference between GMI and minimum wage is the lowest, the first representing more less 75% of the last.

In terms of relations between minimum incomes and their adequacy to avoid poverty, we note that it is in Belgium, the Netherlands and to a lower extent Poland and France, that the relationship between the minimum incomes appears to be the more balanced, with the GMI amount set not too far from poverty thresholds while minimum wages at the same time really makes the difference to avoid poverty. On the other hand, in Slovak and Czech Republics but also in Luxembourg GMI is close to the poverty line but minimum wages are not high enough to significantly move people away from poverty zone. It is in Baltic countries, but also in Spain and Slovenia to a lower extent, that the situation is the less rational, as GMI basic amounts are far below the poverty line while minimum wages are just around this poverty line, highlighting a situation where at the same time safety nets are insufficient and work not really adequately remunerated to avoid poverty.

This general approach of relations between typical amounts of two major minimum income standards and the poverty threshold gives us a useful approximation of their contribution to avoid or at least alleviate poverty. It is nevertheless necessary to go beyond this point and to try to assess the real impact of GMI schemes on poverty.

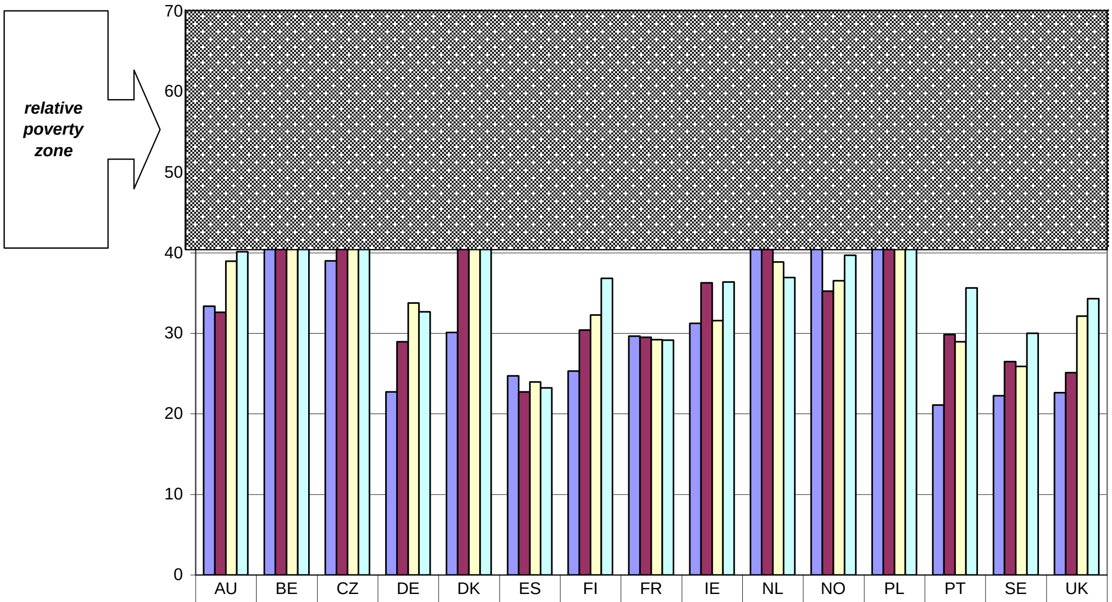
Efficiency for fighting poverty

In order to have a better insight into the real effectiveness of GMI schemes to avoid or alleviate poverty, at least from an income perspective[42], it is necessary to take into account not only the income received by social assistance recipients in the framework of their household but also the effects of means-testing and tax systems. The net disposable income of a household is a complex construction which within a given welfare and tax system varies also according to the size, composition and activities of this household.

In the following diagram we present data on the share that net incomes of social assistance recipients represent in proportion of median household income, for different household typical cases. Unfortunately it concerns only some EU countries as far as they are members of the OECD. Firstly we will consider the net income only, excluding the housing allowances, and then we will highlight the importance of these allowances to top-up social assistance recipients' income and avoid poverty.

[42] We must note here that this income approach does not give account of the effects of non-cash benefits and some other important parameters in the alleviation of poverty, such as availability and affordability of public (or private) services (child and/or dependent persons care,…) or schemes (health, education, inclusive labour markets,…).

Net incomes of social assistance recipients* in percent equivalent of median household income - without housing related benefits – selected OECD countries - 2001



	AU	BE	CZ	DE	DK	ES	FI	FR	IE	NL	NO	PL	PT	SE	UK
Single	33,4	46,7	39,0	22,7	30,1	24,7	25,3	29,6	31,2	46,3	41,5	44,3	21,1	22,3	22,6
Married couple without children	32,6	44,0	46,8	28,9	56,1	22,7	30,4	29,5	36,3	46,8	35,2	48,4	29,9	26,5	25,1
Lone parent with 2 children	39,0	50,0	48,2	33,8	46,4	24,0	32,3	29,2	31,6	38,8	36,5	46,6	29,0	25,9	32,2
Couple with 2 children	40,1	43,3	52,8	32,7	46,1	23,2	36,8	29,2	36,4	36,9	39,7	54,5	35,7	30,0	34,3

* in the OECD definition social assistance includes mainly GMI but also other national minimum incomes if any (pensions, incapacity,…)
Source: OECD (2004), Benefits and Wages, OECD, Paris

We can see clearly from this diagram that in any country the net income of social assistance recipients' households reach the poverty threshold of 60% median household income, which is the EU reference poverty threshold[43]. If we look at the 50% median threshold poverty line it is only in a few countries that income of social assistance recipients households are slightly above this limit, and only for specific households types. In Denmark this limit is exceeded for couples without children, and in Czech Republic and Poland for couples with children. In Belgium this limit is just reached only for lone parents households. What is worrying is that even for the lowest poverty line of 40% median income, which represents situations of severe poverty from an income perspective, we found only a few countries where households living on social assistance have an income above this extreme limit. This is the case in Belgium and Poland for all households' types, in Denmark for lone parents and couples with children, in the Netherlands for single and couples. The lowest poverty threshold is just reached for single persons in Norway and couples with children in Austria.

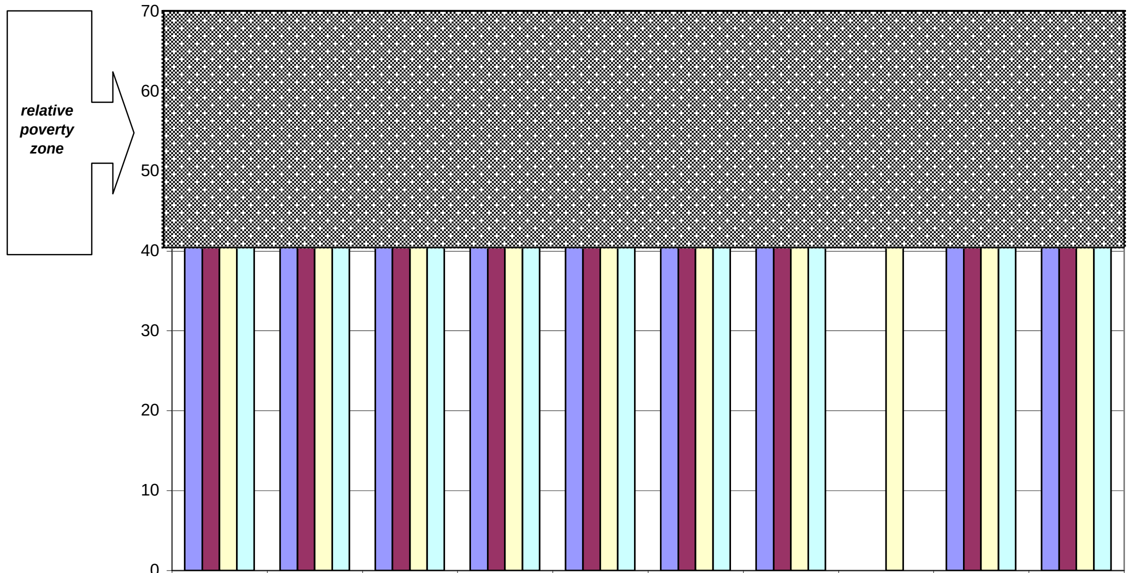
Thus, it seems that income provided through GMI and social assistance schemes is not even sufficient to avoid situations of severe poverty, which is normally the minimal aim of these last resort safety nets. The nets exist but safety is not really ensured. This finding is also confirmed by other studies showing more less the same results using different data sources. In their study Nicaise et al. show that in several EU countries from 2,5 to 11,3% of working-age population have an income (average on period 1994-1997) which is under the threshold of guaranteed minimum income in these countries, living thus in a state of what authors define

[43] Note here that in comparison with the information presented in the previous diagram on typical amounts we can see a marked lowering effect of taxation on the benefits in some countries. This is particularly significant for instance in the case of Denmark which has a typical amount above the 60% median income poverty threshold for a single but only a net income of around 30% for the same individual after taxation.

as being "insufficient protection"[44] (Nicaise et al. 2003). The study by Cantillon et al. highlights also that the net disposable income of households on social assistance benefits has been declining in the majority of EU countries during the last decade of the 20th century and while it has more or less kept pace with inflation and the rise of living costs it has not reduced the income gap in terms of poverty alleviation[45] (Cantillon et al. 2003).

The previous results concern only the net income of social assistance recipients households receiving the basic amount of GMI, but the OECD data offers us an insight on the significant impact that housing allowances may have on the improvement of this households income. In the following diagram we see the situation of social assistance recipient's households after receiving housing allowances in countries where such allowances exist.

Net incomes of social assistance recipients* in percent equivalent of median household income - including housing related benefits – selected OECD countries - 2001



	AU	DE	DK	FI	FR	IE	NL	NO	SE	UK
Single	51,5	65,6	48,4	54,6	46,7	55,8	59,2		50,8	53,8
Married couple without children	45,5	59,3	63,3	51,2	44,3	53,6	53,8		46,7	47,1
Lone parent with 2 children	50,1	58,5	54,0	49,2	44,7	44,6	45,6	44,3	42,4	50,1
Couple with 2 children	49,7	54,1	51,6	51,5	42,6	48,6	42,6		44,3	49,9

* in the OECD definition social assistance includes mainly GMI but also other national minimum incomes if any (pensions, incapacity,…)
Norway: specific housing allowance for lone parents

[44] In countries from the Conservative-Corporatist social protection cluster (BE, FR, LU, AU, DE) 1,1% of the population live with an income at the level of GMI and 5,9% under this level, for the Social-Democratic cluster (DK & FI) 9,3% are at GMI level and 4,2% in insufficient protection, these proportions reach respectively 2,1% and 9,2% in countries of the Liberal cluster (UK, IE) and 0,9% and 7,8% in the Southern cluster countries (ES, PT, IT) (Nicaise et al. 2003:37). As underlined in their study, even in countries with a long-standing record of minimum income, *the potential but uncovered target group is much larger than the actual number of beneficiaries*. Finland seems to be the only exception, with 'just' 2% of the population in insufficient protection as against 12% living on social assistance. Between 50 and 80% of the group affected by insufficient protection suffered severe deprivation (i.e. their income was less than three-quarters of the GMI threshold). Two-thirds of the group was affected in two or more years (Nicaise et al. 2003:50).

[45] This decline has been particularly marked in The Netherlands, UK and Sweden, and to a lower extent in other countries (DE, BE, IE, NO). France and Austria have maintained more less the same level of income during the Nineties. The income of social assistance recipients households has known a significant increase in Luxembourg and Denmark for couples but for households composed by lone parents with 2 children there has been an important reduction in Denmark while in Luxembourg (and Ireland) a slight increase is observed for this household configuration (Cantillon et al.2003).

Source: OECD (2004), Benefits and Wages, OECD, Paris

From this diagram we see that the existence of housing allowances has a significant impact on the net income of social assistance recipients' households. This is particularly true for single households in Germany (the income share is nearly quadrupled and lifted above the 60% poverty threshold) and also in Finland, Sweden and United Kingdom (more than doubling basic income share) and to a lower extent in Ireland, France, Denmark and Austria. In Denmark the addition of the housing allowance lift also the couple households' income above the 60% poverty line. In all countries the payment of housing allowances allows to more or less reach the 50% poverty line and at least exceed the 40% poverty line, for all household configurations. Housing allowances appear thus to have an important additional contribution for the improvement of social assistance recipients income and therefore to play a significant role to alleviate poverty, as housing costs have turn out to be an increasingly heavier burden for households, especially for low income households.

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Annex 1: <u>Guaranteed minimum income schemes in EU 25</u>

The comparative information concerning GMI schemes in the 25 countries forming the European Union is extracted from the MISSOC (Mutual Information System on Social Security) which since 1990 gathers information in a comparative way for countries of the European Union and the EFTA countries. Information concerns the situation on 1st May 2004.
Commission Of The European Communities. 2005. MISSOC – Social Protection In The EU Member States And The European Economic Area. Luxembourg : Office For Official Publications Of The European Union

	DESIGNATION	BASIC PRINCIPLES
Belgium	Right to the social integration (droit à l´intégration sociale). Including the Integration Income (revenu d´intégration/leefloon).	Guaranteeing a right to social integration thanks to a job or to an integration income (revenu d´intégration/leefloon), coupled or not to an integration project. The integration income must ensure a minimum income to persons not disposing of sufficient resources and who are unable to procure them by personal effort or other means. Differential amount Subjective right, non-discretionary.
Czech Republic	Social Assistance Benefit (Dávky sociální péce).	Ensuring basic needs at the level of minimum standard of living. Differential amounts.
Denmark	Kontanthjælp (Social assistance). Starthjælp (Settlement benefit).	Activation measures and/or benefits in kind are offered when a person is, for particular circumstances (sickness, unemployment), temporarily, for a shorter or longer period, without sufficient means to meet his requirements or those of his family. Differential amount Subjective right, with a discretionary element.
Germany	Sozialhilfe.	To enable the recipients who are unable to support themselves to enjoy a decent standard of living and to place them in a position to live independently of social assistance (Sozialhilfe). Differential amount.Subjective right, non-discretionary.
Estonia	Subsistence benefit (toimetulekutoetus).	Differential amount guaranteeing a minimum income to all residents.
Greece	No general scheme exists..	No general scheme.
Spain	Ingreso mínimo de inserción or Renta mínima.	Combat poverty by means of cash benefits, for the basic needs of living. Differential amount. Subjective right, non-discretionary, sometimes subject to budget funds.
France	Revenu Minimum d´Insertion (RMI).	To enable those in need to dispose of minimum revenues in order to satisfy essential requirements and to encourage sociological and professional integration of deprived persons. Differential amount (the situation of the family is taken into account). Subjective right, non-discretionary.
Ireland	Supplementary Welfare Allowance.	Supplementary Welfare Allowance gives a basic weekly income to people who have little or no means. In addition, lump-sum payments can be made to meet urgent or exceptional circumstances. Differential amount. Statutory entitlement to basic weekly allowance, provided the general conditions are satisfied. Lump-sum payments and weekly supplements for rent or mortgage costs are discretionary.
Cyprus	Public Assistance (Δημόσιο Βοήθημα).	The aim is to ensure a minimum standard of living for persons (and families) whose financial resources are insufficient to meet their basic and special needs. This is done through a subjective right to a differential amount.
Latvia	Guaranteed Minimum Income Benefit (Pabalsts garanteta minimala ienakuma limena nodrošinašanai).	To ensure a minimum level of income for each family member of needy families whose income level is lower than set by the Cabinet of Ministers. The claimant is entitled to the benefit if he/she satisfies the conditions laid down by law and on the basis of income and assets (property) test. The benefit is granted in cash or in kind. Total benefit amount is set by the Cabinet of Ministers. The Guaranteed Minimum Income Benefit (Pabalsts garanteta minimala ienakuma limena nodrošinašanai) is calculated as a difference between the amount set by the Cabinet of Ministers (LVL 18 (€ 28)) and person´s income. The municipality can pay other additional benefits if all claims for the guaranteed minimum income benefit are satisfied and as far as the budget of particular local authority allows.
Lithuania	Social Benefit (Socialine pašalpa). Reimbursement for Cost of House Heating and	Differential amount.

	Hot and Cold Water (Busto šildymo išlaidu, išlaidu šaltam ir karštam vandeniui kompensacija).	
Luxembourg	Revenu Minimum Garanti.	Fight against social exclusion. To ensure sufficient means for a decent standard of living and measures of professional and social integration. The guaranteed minimum income can be either an integration allowance (indemnité d´insertion) or a supplementary allowance aiming at compensating the difference between the highest amounts of the guaranteed minimum income and the sum of the household resources. Subjective right, non-discretionary.
Hungary	No general scheme (*)	
Malta	Social Assistance (Ghajnuna Socjali).	A subjective right to a non-contributory differential benefit that aims to ensure a minimum income for those unable to maintain themselves.
Netherlands	Algemene Bijstand.	To provide financial assistance to every citizen resident in the Netherlands who cannot provide for the necessary costs of supporting himself or his family, or cannot do so adequately, or who is threatened with such a situation. The Act provides financial resources to meet their essential costs. The allowance is aimed at achieving again a position in which the claimant can independently meet the necessary costs of living. National norms have been established. In addition, local municipalities can provide other allowances.
Austria	Sozialhilfe.	To enable those persons to lead a decent life who need the help of society. Differential amount. Subjective right, non-discretionary.
Poland	Social Assistance (Opieka spoleczna).	The aim is to enable people and families to deal with problems which they are not able to overcome with their own resources. Subjective right and discretionary entitlement (other benefits). Differential and fixed amount.
Portugal	Social insertion income (Rendimento social de inserção).	Benefit of the non-contributory scheme and social integration programme with the aim of ensuring that individuals and their family will have sufficient resources to cover their basic needs, while favouring at the same time their gradual social and professional integration. Differential amount. Subjective right.
Finland	Toimeentulotuki.	Social assistance is a form of last resort assistance. The assistance is given when a person (family) is temporarily, for a shorter or longer period without sufficient means to meet the necessary costs of living.
Slovenia	Financial Social Assistance (denarna socialna pomoc).	To provide financial assistance to individuals and families whom, for reasons beyond their control, are temporarily unable to secure sufficient funds for basic subsistence according to statutory criteria. Social Work Centre (Center za socialno delo) may grant Financial Social Assistance (denarna socialna pomoc) to help alleviate temporary material hardship of those without sufficient subsistence means.
Slovak Republic	Benefit in Material Need (Dávka v hmotnej núdzi).	Non-contributory benefit that aims to ensure a minimum income for those unable to maintain their basic living conditions. Differential amount according to the number of household members. Subjective right, non-discretionary.
Sweden	Ekonomiskt bistånd.	Social assistance is a form of last resort assistance. The assistance is given when a person (or a family) is temporarily (for a shorter or longer period) without sufficient means to meet the necessary costs of living.
United Kingdom	Income Support.	Tax financed scheme providing financial help for people who are not in full time work (16 hours or more a week for the claimant, 24 hours or more for claimant´s partner), who are not required to register as unemployed and whose income from all sources is below a set minimum level. Differential amount.
Norway	Subsistence allowance (stønad til livsopphold).	The general objective is to secure the subsistence of persons who do not have sufficient economic means to cover basic needs through work or by filing economic claims. Differential amount. Subjective right, discretionary, Complementary, provisional support. Municipalities are legally obliged to provide social financial assistance.

(*) Hungary will implement a program named SZOLID (The Modernisation of Social Act and the Democratic and Long-term Development of Social Administration) in 2005-2006, with the aim of modernising social provisions as well as introducing a new threshold for allowances for all residents. This will replace and be higher than the minimum pension and the eligibility criteria will be expanded to include those people without any work experience. The reform is also aimed at providing an adequate safety net, rationalising social assistance, expanding day-care for children, improving coordination between various social provisions. (European Commission, 2005, Joint Inclusion Report 2004, OPOCE, Luxembourg). The

SZOLID program, as such has been suspended since 2004. Nethertheless many of the analysis written within its framework were used to develop the social reforms of 2005 & 2006 (Korintus, M.)

Romania and Bulgaria

Information relative to GMI schemes in Bulgaria and Romania is provided by the MISSCEEC database of the European Commission (Mutual Information System on Social Security in Central and Eastern European Countries) which is designed according to the principles used in the MISSOC system. Unfortunately information is older and refers to the situation on 1st May 2002.

Country	Designation	Basic principle
Bulgaria	Monthly social allowance.	A differential amount based on discretionary entitlement to a non-contributory benefit that aims to support the citizens who cannot satisfy their basic needs without someone else's aid.
Romania	Social Aid.	The principle is of social solidarity and its aim is to grant a social allowance to families and single persons with low incomes or no income, in situations and during periods when they cannot ensure a minimum standard of living on their own. The aid could be in cash or in-kind. The necessary funds are granted from the local budgets. The social aid provides a differential cash benefit.