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Poverty Policies, Structures and Outcomes in the EU 25

Report for the Fifth European Round Table on Poverty and Social Exclusion 16–17 October 2006, Tampere, Finland

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To the reader

The Round Table Conferences on Poverty and Social Exclusion have offered an important platform for all relevant actors across Europe to come together and exchange experiences, ideas, and views on alleviating poverty and preventing social exclusion. The fifth European Round Table is the last one under the current Social Exclusion Programme (SEP) and so we hope that it enables the possibility of transferring the SEP experiences to the new Community programme for employment and also to the solidarity (PROGRESS) programme.

Comparative research on poverty and social exclusion has increased our knowledge and helped in the planning and implementing of anti-poverty policy programs in Member States. Promoting the utilisation of research in policy making is our mutual goal. As the host of the fifth Round Table Conference on Poverty and Social Exclusion, the Finnish Ministry of Social Affairs and Health have commissioned a background report for the benefit of Round Table participants. We hope that this background report both encourages and facilitates dialogue.

The background report 'Poverty policies, structures and outcomes in the EU 25' that you currently hold is a joint venture of the National Research and Development Centre for Welfare and Health (STAKES), the Social Insurance Institution of Finland (KELA) and the University of Turku. The report reviews the national anti-poverty policies of each Member State and contrasts them with the latest figures on the level and distribution of poverty and deprivation in the European Union. The report stresses the important but often neglected issue of how poverty is measured and offers a more encompassing multidimensional approach towards poverty measurement.

This background report does not represent an official opinion of the Finnish Presidency or the Ministry of Social Affairs and Health. Our aim has been to support an important discussion on this crucial topic.

Reijo Väärälä
Deputy Director General
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In brief

As the holder of the EU presidency in the second half of 2006, Finland will host the last Round Table Conference on Social Inclusion. Preparations have been started jointly by the European Commission and the Finnish Ministry of Social Affairs and Health. In this context three national actors – STAKES, the Social Insurance Institution of Finland and the University of Turku – will provide a comprehensive background report on poverty and poverty policies in the EU region to be attached to the official conference materials.

Based on the most recent comprehensive household data and materials collected especially for this report, three interrelated issues have here been analysed: the volume and nature of income poverty and other possible forms of (material) deprivation, the existence and nature of distinct national policies and programmes for combating poverty and social exclusion, and the possible administrative structures and procedures of those policies. In addition, the report discusses the relation between cross-national variation and institutional characteristics of social policy and welfare schemes in Europe.

The report is divided into three chapters. The first chapter provides an overview on the volume and forms of poverty in the EU15 countries. The authors of the chapter are Professor Veli-Matti Ritakallio, University of Turku, Finland, and Professor Jonathan Bradshaw, University of York, UK. Their study starts from the traditional income poverty with the head-count method and then proceeds to some other widely used poverty measures and culminates with them enriching the picture by using a combined operational poverty definition referred to here as "reliable poverty". This multidimensional approach has been chosen because of the growing criticism towards the relative income method when used alone. The study is based on the ECHP microdata from 2001. We also provide a broader and more updated picture on income poverty covering the whole EU25 with data from 2003. These latter results are gathered from an existing statistical source, Statistics in focus 13/2005 by Eurostat, and presented in Annex 1.

The second chapter examines the existence and structures of possible national policies and measures to combat poverty and social exclusion. The general aim is to have information on the status of poverty in national policy agendas. The author in charge of this chapter is Dr. Susan Kuivalainen, University of Turku. The data for Chapter Two on national policy responses was gathered deliberately for this report during spring 2006. A simple questionnaire was sent to all national delegates of the Social Exclusion Programme Committee (SEP) and most of the delegates responded with the necessary information. The countries covered by this qualitative data set are Austria, Cyprus, Germany, Estonia, Greece, Hungary, Ireland, Latvia, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia and the

UK. For the countries who did not respond, the qualitative data has mainly been obtained from their national action plans on Social Inclusion (NAPS/inc).

The last chapter summarises the key findings and observations. Here we also briefly discuss the poverty dynamics vis-à-vis the social policy models. The final chapter of discussion and conclusions is based on consensual discussions within the research group. Matti Heikkilä and Pasi Moisio from STAKES have taken responsibility for the overall co-ordination of the work and the outcome as well.

CONTENTS

To the reader
In brief

1 POVERTY IN EUROPE 9
Background 9
Income poverty 10
Subjective poverty and deprivation 15
Reliable poverty 18
Conclusion 22

2 EXISTENCE AND NATURE OF POVERTY POLICY PROGRAMMES 24
National anti-poverty programmes and administrative structures 25
Existence and use of poverty thresholds 27
Existence, coverage and level of minimum wages 29
Existence and nature of guaranteed minimum income schemes 32
Conclusion 36

3 SUMMARY AND DISCUSSIONS 38
Summary 38
The existence and nature of poverty policy programmes 39
Minimum wage 40
Minimum income schemes 41
Discussion 42

References 46

Annexes:
Annex 1. Income proverty in the EU25 49
Annex 2. National minimum wages in the EU25 51
Annex 3. National social assistance schemes in the EU25 52

List of authors 55

1 Poverty in Europe

Jonathan Bradshaw & Veli-Matti Ritakallio

Background

The European Laeken Indicators employ only one indirect indicator of poverty. It measures the proportion of those at risk of financial poverty through having an equivalised total net income below a threshold of 60% of the national median income, using the OECD modified equivalence scale. Whether or not that risk materialises depends on other factors (Atkinson, Cantillion, Marlier & Nolan 2002). To measure actualised poverty this chapter develops a new indicator of poverty based on income, subjective, and deprivation indicators. We argue that our measure may be a more reliable and direct measure of poverty than income alone. Using the index we have developed we compare the extent to which income poverty appears to represent international variations in poverty.

Our task is to make a comparative descriptive analysis of European poverty, showing how the prevalence of poverty varies between EU member states. We present an analysis based on the results of the European Community Household Panel Survey (ECHP). Most results are based on the last wave of ECHP, compiled in 2001. We compare most EU15 countries. Unfortunately we could not extend our analysis to all EU25 countries and have no newer data. The ECHP ended before the latest enlargement of the EU and the follower of the ECHP – the EU-SILC 2004 data – covers only 13 Member States so far. This unfortunately means that newer EU-data that is more representative than the ECHP 2001 data for the purposes of direct poverty analysis are not available. However it should be emphasized that in steady economic conditions, the picture of poverty changes very little. Since early 2000 in most EU15 countries, the prevailing macroeconomic circumstances have been steady, as can be seen from the at-risk-of-poverty rates for the EU25 countries shown in Annex 1.

The structure of the chapter is as follows: First we define the income poverty measure that we use. We present the cross-European poverty variation by this measure for total populations and for child populations separately. This is because of the often presented arguments of stronger child mainstreaming in the EU social dimension (see i.e. Atkinsson et al. 2005). After that we present how effectively income redistribution works for income poverty reduction in EU-countries. The end of the section on income poverty is devoted to criticisms of the relative income measure. As a possible alternative to measures based on national income distribution we present a picture of European poverty based on a cross-European overall poverty threshold, which is based on the European weighted income distribution. After considering income poverty measures, we present our subjective measure, the deprivation measure, and the new 'reliable' poverty measure. We also consider how similar or dissimilar the comparative pictures of European poverty are when using the 'reliable' measure instead of an income poverty measure alone.

Income poverty

Income poverty is measured against a threshold of national contemporary income. The poverty rate is the proportion of people living in households with an equivalent income below 60% of the median. The equivalence scale used in this analysis is the traditional OECD equivalence scale (1.0 for the first adult, 0.7 for the second adult and 0.5 per child). We have deliberately used this scale rather than the modified OECD scale – on the grounds that we believe it better represents the equivalent needs of children (see Ritakallio 2002).

The measure used is before housing costs, although we think that an after housing costs measure would be better (Ritakallio 2003), as there are reasons to be anxious about the comparability of the housing costs questions in the ECHP.[1] In the ECHP, the income data is for the year before the survey so the 2001 survey collects income data for 2000.[2]

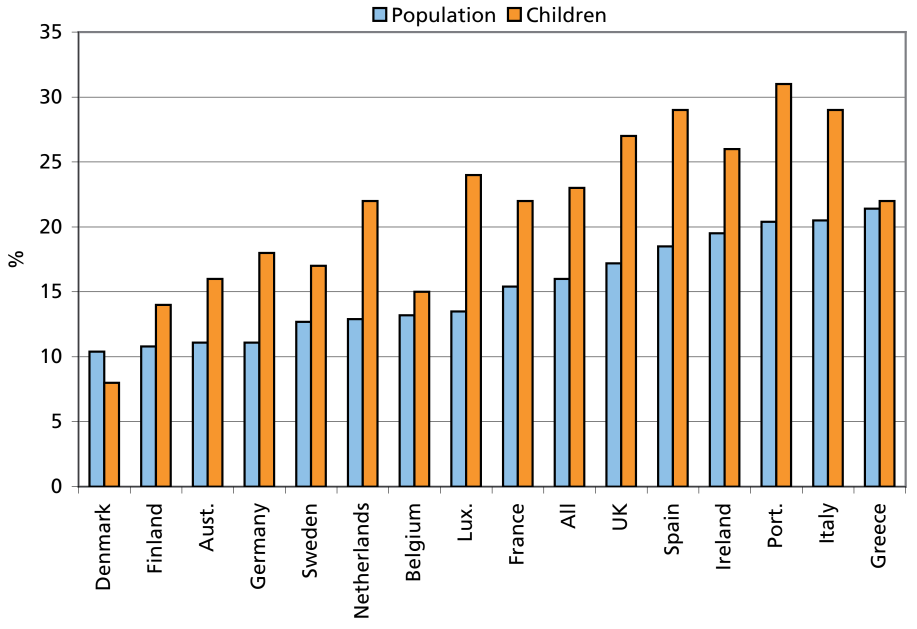
Figure 1 shows the income poverty rates at our 60% threshold. Overall Greece, Italy and Portugal have the highest poverty rates (more than 20% of the population at risk of poverty) and Denmark, Finland, Austria and Germany the lowest (circa 10%). In all countries, except Denmark, the risk of poverty is higher for children than for the whole population. However there are big differences in the relative risk of children between countries – the relative risk for children is only slightly higher in Greece but 80% higher in Luxembourg and 70% higher in the Netherlands. In most countries studied more than 20% of children are at risk of poverty.

The effectiveness of the income transfer systems in reducing poverty is here measured (see Figures 2 and 3) using the standard method. The impact of an income transfer system is, by definition, the difference between the poverty rate based on factor incomes (total incomes before transfers) and the poverty rate based on disposable incomes (incomes after transfers[3]). The analysis based on factor incomes gives an estimate of poverty in a hypothetical situation without any kind of equalising social policy. We must, however, be cautious in drawing any conclusions, because people would obviously behave differently under alternative circumstances; for instance, the ageing population would continue longer in working life if there

1 Housing costs in the Nordic and some other countries include expenditure on domestic fuel while this not true of other countries

2 Corresponding figures for all the EU25 countries are presented in Annex 1.

3 In the analysis using ECHP it is only possible to take account of cash benefits. Ideally one would like also to take account of tax benefits.

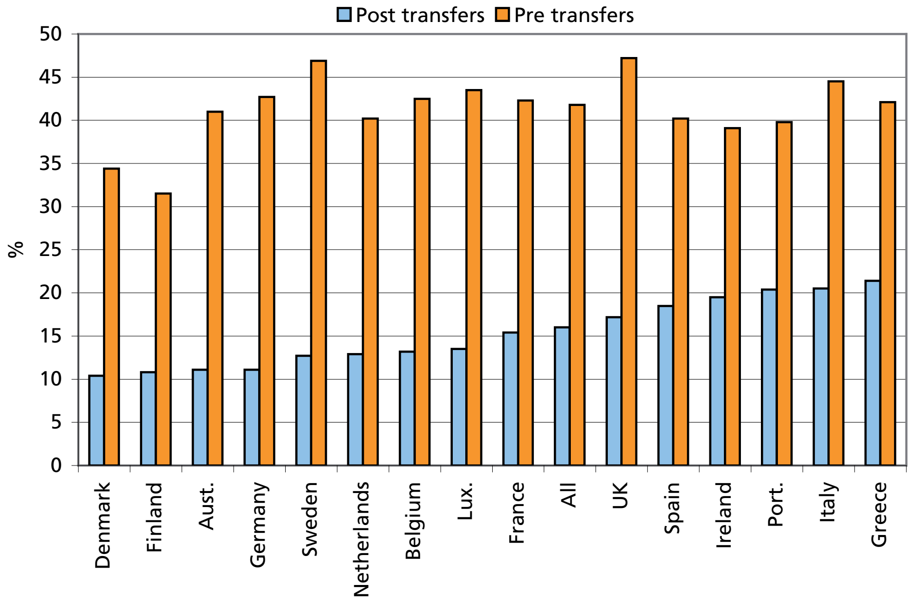


Source: Our analysis of ECHP 2001

FIGURE 1. Income poverty rates for total populations and children in 2000, %

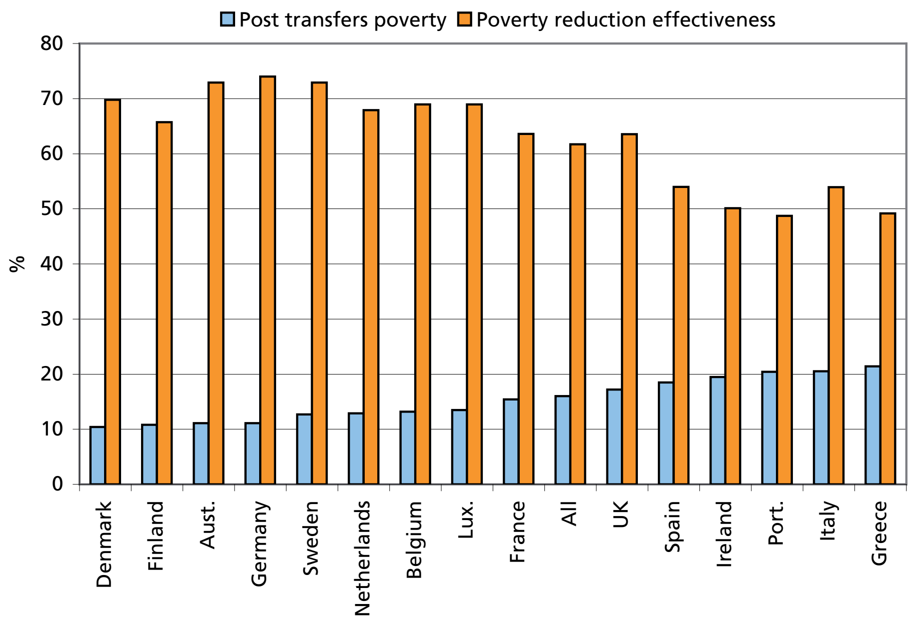
were no pensions. In other words, it is probable that, in a hypothetical world with an underdeveloped social policy, poverty and income inequality would not be quite as extensive as suggested by the figures based purely on factor incomes.

Figures 2 and 3 (p. 12) show that the ordering of the countries is not at all the one drawn in the case of pre-transfer rates. High rates of pre-transfer poverty can be found in Scandinavia (Sweden) as well as in Mediterranean countries. What matters from the point of view of actualised poverty is redistribution (Figure 3). Countries below the European average post-transfer poverty have all above average poverty reduction effectiveness. And on the contrary, countries with above average post-transfer poverty rates, particularly the Mediterranean countries, have less than average effectiveness in their poverty reduction by redistribution measures. The UK is an exception. The most efficient poverty reduction is found in Germany, Sweden, Austria and Denmark, where more than 70% of the pre-transfer poverty is removed by transfers. While in Portugal and Greece the corresponding figure is less than 50%.



Source: Our analysis of ECHP 2001

FIGURE 2. Poverty rates before and after transfers at 2001

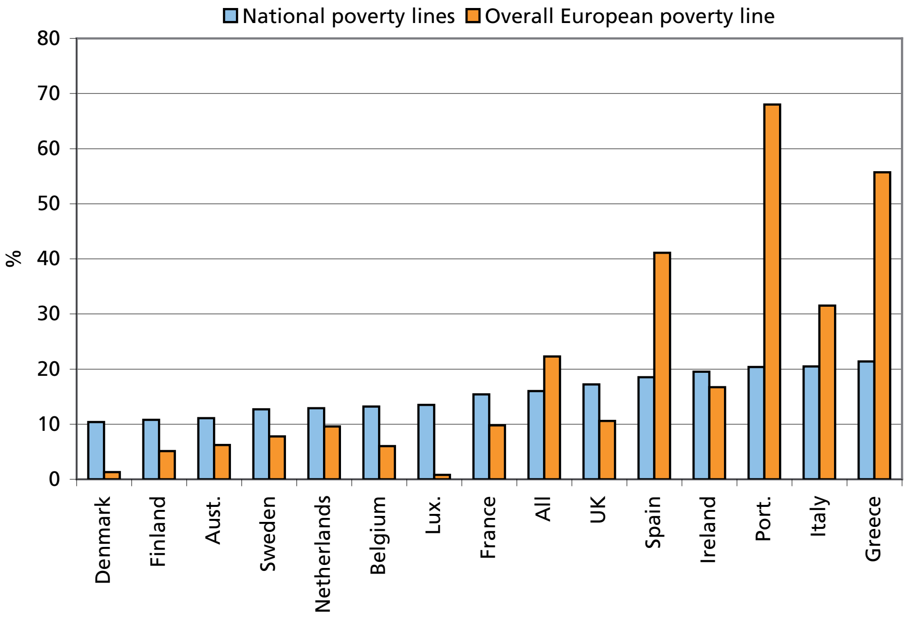


Source: Our analysis of ECHP 2001

FIGURE 3. Post transfers poverty and the proportional poverty reduction effectiveness of the income redistribution system 2001, %

There are a host of problems with the income definition of poverty. These have been reviewed in more detail elsewhere (Bradshaw 2006) but they include:

- It is not easy to measure income correctly in surveys, which tend to use proxy household informants.
- Income is not a good measure of command over resources – it excludes dissavings, borrowings, and the consumption of home production.
- The relative threshold is very different in different countries. 60% of the median was 2000 euros in Latvia, Estonia and Lithuania and 14,000 euros in Luxembourg (and over 9000 euros in the UK) for example.
- The threshold is arbitrary and different rankings of countries are obtained if the 50% threshold is used instead of the 60% threshold.
- The equivalence scales, which are used to adjust income to household needs have little or no basis in science and also the threshold chosen makes a difference to the composition of poor households.
- Poverty rates do not represent poverty gaps – is it better to be a country with high rates but low gaps or low rates and high gaps?
- Poverty rates do not tell us anything about the persistence of poverty.



Source: Our analysis of ECHP 2001

FIGURE 4. Income poverty by national poverty lines and by overall European poverty line at 2001

To highlight the problems we show as an example how much the cross-European poverty profile changes when we move from national income poverty lines to an overall European weighted income poverty line (6359 € at 2001) (see also Kangas and Ritakallio 2006).

Poverty rates in rich EU countries typically are halved or more by moving from national standards to all-European standards. On the other hand in Portugal, Greece and Spain, the already high figures are doubled in the same process. Also Italy sees a dramatic increase. Particularly in Italy and in Spain the great spatial income variation inside the country gives an extra dimension to this discussion. Choosing a nation-bound relativistic approach is theoretically based on the reference group theory, which is derived from the notion that deprivation always has to be defined contextually (Merton 1959; Runciman 1966; Halleröd 2004). Tastes and preferences are context-bound and therefore, poverty equates to a lack of resources necessary for participation in the normal way of life of the surrounding society (Townsend 1979; Gordon & Pantazis 1987; Gordon & Townsend 2000). But, what is the right context in which to apply the reference group theory? How far should the idea of relative poverty be extended in international comparisons of poverty? (see more Kangas & Ritakallio 2006). This is an open question.

It is very likely that in most new EU-countries the move from a national standard to all-European standard would have an even bigger impact.

For the reasons presented above it is advisable to complement income measures with other indicators. We do this in the next part of the paper. This work builds on a stream of research that perhaps began as a result of the work of Callan, Nolan and Whelan (1993), which resulted in Ireland adopting a combination of income and deprivation as its official poverty measure. Bradshaw and Finch (2003) and Adelman et al. (2004) analysed the overlaps between different measures of poverty using data from the Poverty and Social Exclusion Survey in Britain. The UK government (DWP 2003) then followed Ireland in adopting a three-tiered measure of poverty, the third tier combining an income threshold with deprivation. There has been a spate of papers produced exploring different ways that add to income measures of poverty (for example Kangas and Ritakallio 1998, Berthoud et al. 2004, McKay 2004).

In the analysis presented here we have been constrained by the questions available in the European Community Household Panel Survey (ECHP). Using that source we have added two domains to the relative income measure above – subjective poverty and deprivation.

Subjective poverty and Deprivation

There are two questions in the ECHP that could represent a subjective measure of poverty. We have chosen the following question: "A household may have different sources of income and more than one household member may contribute to it. Thinking of your household's total monthly income is your household able to make ends meet? Possible responses are "*With great difficulty, With difficulty, With some difficulty, Fairly easily, Easily or Very easily*"

Table 1 shows that Greece and Portugal followed by Italy and Spain have the highest proportion of people living in households with great difficulty or difficulty making ends meet. In Greece the proportion of people experiencing difficulty in making ends meet is even close to fifty per cent (47%). The UK, the Netherlands and Luxembourg have the lowest proportions (less than 10% of the population). There are some interesting differences between the countries' rankings on income poverty and subjective poverty. For example the UK with an above average income poverty rate has the lowest proportions of those finding it difficult to make ends meet.[4]

A household may not be able to make ends meet despite not being in income poverty. Some households who on the other measures are in income poverty may say they are able to make ends meet but only by going short of necessities – living below what is an acceptable standard. So in addition we used an index of deprivation.

TABLE 1. Subjective poverty: making ends meet

	with great difficulty	with difficulty	with some difficulty	fairly easily	easily	very easily
Denmark	3	9	21	35	23	9
Netherlands	2	6	14	25	41	12
Belgium	3	7	19	34	31	6
France	3	9	25	45	17	1
Ireland	3	8	35	43	7	4
Italy	9	13	38	34	7	1
Greece	14	33	28	18	6	1
Spain	9	13	33	31	14	1
Portugal	15	21	41	18	4	0
Austria	4	9	42	25	15	6
Finland	4	7	23	44	15	6
Luxembourg	3	6	15	29	37	12
UK	2	5	23	38	31	0
All	**7**	**12**	**29**	**31**	**17**	**3**

Source: our analysis of ECHP 2001.

4 Note in the ECHP the income data is for the year before the questions are asked so there may be a disjunction between income poverty and responses to the survey because of a change in circumstances.

Respondents to the ECHP were asked each of the following nine questions:[5]

1. Can the household afford keeping its home adequately warm?
2. Can the household afford paying for a week's annual holiday away from home?
3. Can the household afford replacing any worn-out furniture?
4. Can the household afford buying new, rather than second-hand, clothes?
5. Can the household afford eating meat, chicken or fish every second day, if wanted?
6. Can the household afford having friends or family for drink or meal at least once a month?
7. Has the household been unable to pay scheduled rent for the accommodation during the past 12 months?
8. Has the household been unable to pay scheduled mortgage payments during the past 12 months?
9. Is there normally some money left to save (considering household's income and expenses)?

Table 2 gives the proportion in each country lacking each of these items. The proportion varies between countries and between items. The deprivation indicator with the highest proportion in most countries is the inability to save for rainy days, followed by affording to replace worn out furniture. Only one of these questions was asked in the Swedish survey, three of them in Luxembourg and seven of nine in Germany.

By simply adding these items it is possible to establish a cumulative ordinal scale with a range 0–9. Table 3 presents the results of that scaling exercise. Denmark, the Netherlands and Belgium are the only countries where half or more of the population are lacking none of the items. In Portugal more than half the population lacks four or more items. Again here the UK is performing relatively better by this measure than by income measure.

5 There were two others which were not asked in the UK and have therefore been excluded: Has the household been unable to pay scheduled utility bills, such as electricity, water, and gas during the past 12 months?; Has the household been unable to pay hire purchase instalments or other loan repayments during the past 12 months?

TABLE 2. % population living in households lacking item ECHP 2001

	Home adequately warm	Annual holiday away from home	Afford replacing worn-out furniture	Afford to by new clothes	Meat, chicken, Fish every second day	Afford to ask Friends to home	To pay scheduled rent for last 12 months	To pay scheduled mortgage for last 12 month	Money to save for "rainy days"
Denmark	2	10	16	3	1	2	1	1	44
Netherlands	3	12	16	8	2	5	1	1	33
Belgium	4	18	21	6	3	7	2	3	46
France	3	22	22	4	2	4	3	1	61
Ireland	4	26	15	3	1	5	2	1	52
Italy	18	36	55	11	5	15	2	1	72
Greece	29	48	73	23	23	32	2	2	87
Spain	40	38	37	6	2	6	1	1	51
Portugal	58	61	72	38	3	14	3	0	83
Austria	1	21	40	9	5	10	1	1	32
Finland	6	25	23	7	3	7	4	3	54
Sweden							3		
Germany		20	22		2	13	1	5	34
Luxembourg							1	0	42
UK	1	22	15	6	8	22	3	1	41
All	**18**	**31**	**37**	**12**	**5**	**12**	**2**	**1**	**55**

Source: our analysis of ECHP 2001.

TABLE 3. % population in households by number of deprivation items lacking: ECHP 2001

	Lacking 0	1	2	3	4	5	6 or more
Denmark	52	31	7	6	2	0	1
Netherlands	62	21	6	4	3	3	2
Belgium	49	28	8	7	3	2	4
France	36	35	13	9	4	2	1
Ireland	45	27	15	8	4	1	1
Italy	21	24	17	15	11	5	6
Greece	8	17	16	17	15	12	15
Spain	30	23	12	14	13	5	3
Portugal	10	13	12	13	23	17	13
Austria	46	24	12	8	4	3	2
Finland	37	32	11	8	5	3	3
UK	38	32	15	8	5	1	1
All	**33**	**25**	**13**	**11**	**9**	**6**	**5**

Source: our analysis of ECHP 2001.

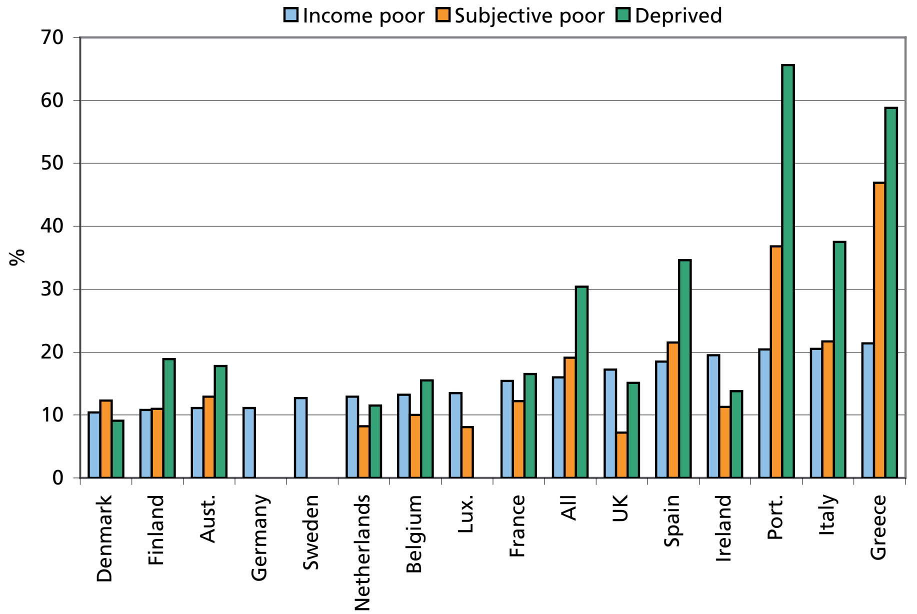
Reliable poverty

In order to derive a measure of poverty that is more reliable than purely income we explore the overlaps between the three indicators we have derived. In order to do this we have to fix a threshold for who is to be poor on each of the indicators. If the indicators were actually measuring the same thing we might expect the proportion defined as poor on each to be similar. A threshold was fixed to produce roughly similar proportions of children. Thus we chose

- For **income poverty**: the % of people in households with an equivalent income below 60% of the median is 16% for all countries.
- For **subjective poverty**: the % of people in households able to make ends meet with great difficulty or with difficulty is 19% for all countries.
- For **deprivation**: the % of people in households lacking at least three deprivation items in the nine point scale is 30% for all countries. This is a rather larger proportion for all countries than for the other two groups, but it is driven up by large proportions in the southern EU countries. The proportion poor on this measure elsewhere are much more similar to the other measures.

Figure 5 shows the proportion of population who are poor on each of these measures. Most countries (Finland, Austria, Spain, Portugal, Italy and Greece) have higher rates on non-income dimensions. While three countries: the UK, the Netherlands and Ireland have lower poverty rates on both the non-income poverty dimensions. Only in Denmark and in France are all three dimensions more or less at the same level. Particularly notable differences in results between dimensions can be found from Mediterranean countries where the deprivation measure gives double the estimates or even more compared to the income approach.

Table 4 shows the proportions of people defined as poor on none, one, two and three of these measures. The reason for undertaking this analysis is that we are not satisfied with the reliability of poverty based on one measure. It is much more likely that a person living in a household with a low income, finding it difficult to make ends meet and relatively deprived will be reliably poor. We have to decide whether to select those who are poor on all three measures, poor on two particular measures or poor on any two measures as reliably poor. Having considered the matter it was decided to include as reliably poor all those poor on at least two measures – that is those income poor and subjectively poor, those subjectively poor and deprived and those income poor and deprived (Ritakallio & Bradshaw 2006). This gives 20% for all counties.



Source: Our analysis of ECHP 2001.

FIGURE 5. Poverty rates by dimension, %

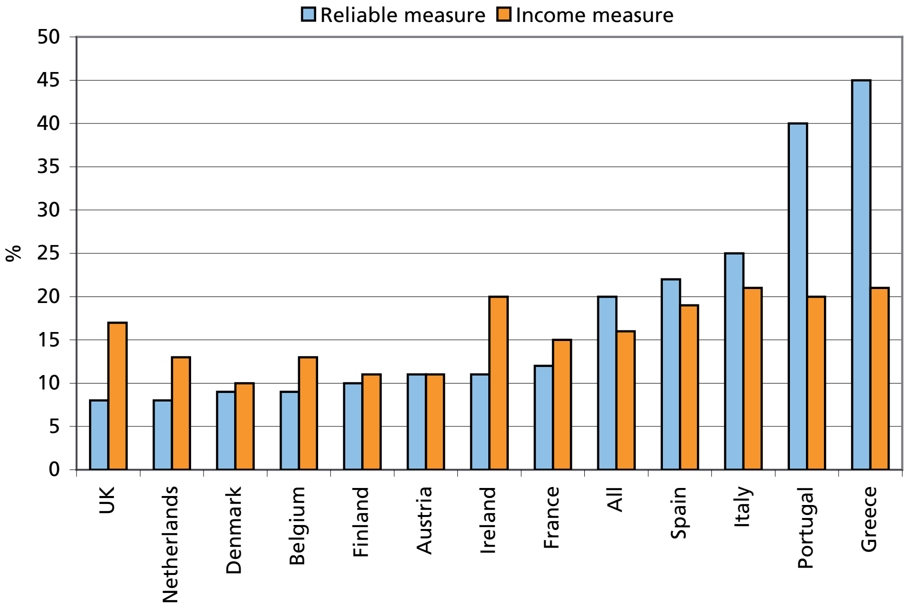
TABLE 4. % of population by number of dimensions poor

	Poor on none dimension	Poor on one only	Poor on two only	Poor on all three	Poor on two or more
Denmark	79	12	7	2	9
Netherlands	78	14	5	3	8
Belgium	72	19	7	2	9
France	72	16	8	4	12
Ireland	72	17	8	3	11
Italy	55	21	16	9	25
Greece	33	22	30	15	45
Spain	55	24	15	7	22
Portugal	30	30	27	13	40
Austria	72	17	9	2	11
Finland	72	18	8	2	10
UK	72	20	7	2	8
All	60	20	14	6	20

Source: our analysis of ECHP 2001.

Three country groupings can be easily outlined. The UK, the Netherlands, Denmark, Belgium and Finland are countries with a reliable poverty rate at 10% or slightly less. Also Austria, Ireland and France can be counted to the same group with 11 or 12% poverty rates. The second group consists of Spain and Italy with almost a quarter of the population in reliable poverty. To the third group belong Portugal and Greece where more than 40% of the population are in reliable poverty by our measure.

Figure 6 shows the variation in the proportion who are poor on two or more dimensions compared to income poverty. In only three countries (Denmark, Finland and Austria) has the move from an income approach to the reliable measure not had an impact on poverty head counts. In five countries (the Netherlands, Belgium, France, the UK and Ireland) the reliable measure results in a notably lower head count than the income measure. In fact the country ordering according to the reliable measure is completely different to the income measure when it comes to Nordic countries, Central European countries, the UK and Ireland. The lowest poverty head counts according to the reliable measure can be found in the UK and the Netherlands. Of these, the UK is above the average European poverty rate according to the income measure.



Source: Our analysis of ECHP 2001.

FIGURE 6. Reliable poverty and Income poverty head counts in 12 EU countries at 2001

So we can conclude that the measure matters to the comparative results of European poverty. By the reliable measure the variation between Nordic and Central European countries added with the UK and Ireland are reduced. In all these countries the reliable poverty rate is around 10%. By the same process the difference to Mediterranean countries is even more extended. According to the reliable measure it is evident that poverty is most prevalent in EU's Mediterranean member states. How the move from the income measure to the reliable measure influenced the poverty rate in different countries has given us reasons to conclude that in the ten new eastern and southern member states, the reliable poverty rates are at the same level as in Mediterranean countries or in many cases even higher.

Children in poverty have been named by the European Union as target groups in the Common Outlines and Common Objectives of the National Action Plans for Social Inclusion and also in the March 2005 EU Presidency Conclusions. Although there was a proposal that children should be 'mainstreamed' in the report by Professor Tony Atkinson and colleagues prepared for the Luxembourg Presidency (Atkinson et al. 2005). Therefore there is sufficient reason to compare child poverty rates with population average poverty rates in different EU countries by our reliable poverty measure.

According to Figure 7 the reliable child poverty measure is more prevalent than average population level poverty in all studied countries, except Greece.

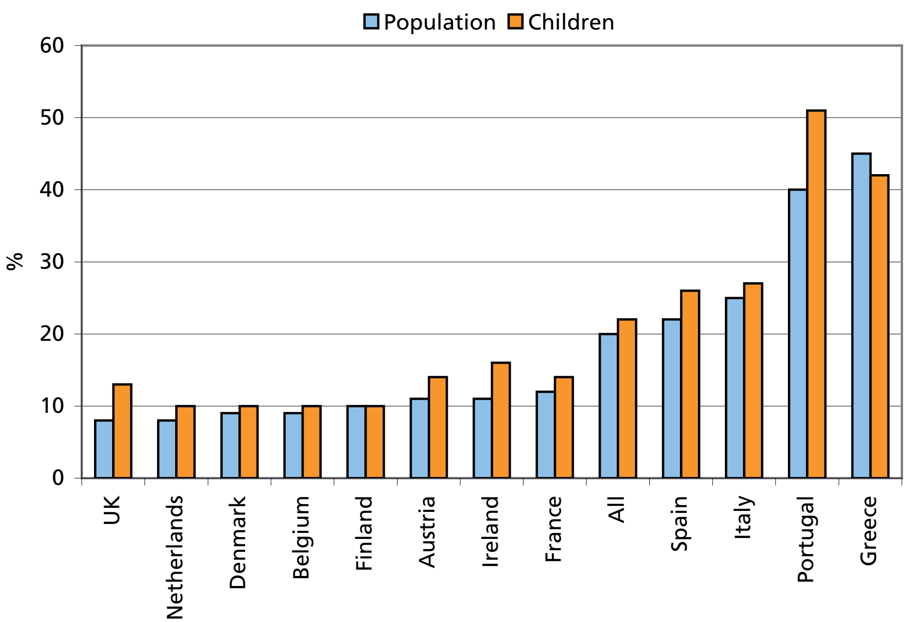


FIGURE 7. Reliable poverty rates at population level and separately among children at 2001, %

Conclusion

The European Union social indicator package includes only one indicator of poverty or strictly speaking an indicator of the risk of financial poverty. In our view the relative income measures presently used to estimate poverty rates are insufficient. Income measure alone is an indirect measure and particularly in post-enlargement conditions, its straightforward use in estimations of cross-national European poverty may even lead to incorrect results. What is positive in the income approach to poverty is the useful way to analyse the effectiveness of redistribution systems in the reduction of poverty by comparing pre- and post- transfer poverty figures. Here our results show that the most important factor from the point of view of post-transfer poverty is redistribution. Countries below the European average post-transfer poverty rate have all above average poverty reduction effectiveness. While on the contrary, countries with above average post-transfer poverty rates, particularly Mediterranean countries, have less than average effectiveness in their poverty reduction by redistribution measures.

Problems with the income measure particularly in cross-national comparisons are however evident. To demonstrate this we showed how much larger the variation of poverty rates is when using a common European income poverty threshold instead of country-specific standards. Which way to apply the relativity idea is theoretically an open question. The topicality of the question is highlighted following the latest EU enlargement. It is very likely that in most new EU-countries the move from a national standard to an all-European standard would have an even bigger impact.

The main conclusions of the analysis are as follows. First of all, poverty is a social problem in all EU Member States. It is still very much of great concern in the EU area. Variation between Member States is high and even more so after the latest enlargement. In the EU15 area, poverty is particularly prevalent in Mediterranean countries. There is reason to believe that during the EU25 era, poverty will be most concentrated in new member states. However, almost ten per cent of the inhabitants of Central European and Nordic countries as well as inhabitants of the UK and Ireland are living in poverty. Compared to the average level in the EU15 area, the poverty rate is at least double in Spain and Italy and the most poverty prone countries in EU15 area are Portugal and Greece, where more than 40% of the populations live in poverty. So this study shows again that politics matter: countries with effective income redistribution policies, i.e Nordic countries, Central European countries and the UK, manage better than others in alleviating poverty.

However, relative income poverty alone is a poor indicator of poverty especially for some of the new EU countries. The EU Laeken indirect indicator of poverty is an inadequate measure particularly when it comes to making EU25 comparisons.

The ordering of EU countries by poverty head counts changes when we move from an income approach to a more multidimensional measure. With the more reliable multidimensional measure the smallest head count is in the UK, while according to the income measure the UK is above the European average poverty head count. It seems apparent that the income poverty measure is not enough to produce a reliable picture of European poverty. We recommend that the EU should include a direct measure of poverty into its set of social indicators and work for systematic and continuous data collection, which works towards better comparability between the EU25 countries.

2 Existence and nature of poverty policy programmes

Susan Kuivalainen & Matti Heikkilä

Poverty is understood and tackled different in ways across countries. This chapter examines the existence and structures of any existing national policies as well as their measures to combat poverty and social exclusion. The general aim is to gather information on the status of poverty in the national policy agendas.

The structure of this chapter is as follows: The first section concerns the existence and nature of poverty policy programmes within each Member State. The main interest is in nationwide anti-poverty policy programmes. Firstly, we will examine whether there exist distinct national anti-poverty programmes, strategies, or plans beside the National Action Plan against Poverty and Social Inclusion. Secondly, having gathered information on the status of poverty on the policy agendas, we will then analyse the nature of these poverty policies. Since most Member States do not have any other specific poverty programme in addition to the National Action Plan against Poverty and Social Inclusion, the National Action Plans will also be analysed in order to complete the general picture of existing policies being used to tackle poverty and social exclusion. Administrative structures are examined at the end of the first section. The second part examines the existence and use of poverty thresholds in the 25 member States. The aim is to gather information on the nature of poverty thresholds and the definition of poverty in each country in order to, among other things, better understand the procedures for setting minimum social standards across Europe. The second section ends with descriptions of minimum wage arrangements and minimum income schemes across the Member States.

Data in this chapter were gathered deliberately for this report during the spring of 2006. A simple questionnaire was sent to all national delegates of the Social Exclusion Programme Committee (SEP). Countries covered by this qualitative data set are Austria, Cyprus, Germany, Estonia, Greece, Hungary, Ireland, Latvia, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia and the UK. From the non-responding countries the qualitative data have mainly been obtained from their national action plans on Social Inclusion (NAPS/inclusion). Data on the minimum wage arrangements are drawn from previous studies (EIRO 2005; Eurostat 2005) and from the ILO minimum wage dataset, while data on minimum income schemes are from MISSOC, which covers the social protection systems in the Member States and the European Economic Area.

National anti-poverty programmes and administrative structures

We will start by examining the existence of anti-poverty policy programmes. It should be born in mind that some programmes may not be mentioned in the National Action Plans and thus are not included here. On the basis of the existing evidence, basically three kinds of programmes can be identified among the Member States.

Some Member States have a number of *specific* programmes aimed at alleviating poverty and social exclusion and increasing social inclusion. Most of these programmes are selective in their nature and targeted only at groups identified as being at risk of poverty and social exclusion. Typical of these kinds of vulnerable groups are for instance people with a disability, immigrants and ethnic minorities, drug addicts, and families with children. For instance, Slovakia has a specific programme, the '*National Action Plan of the Slovak Republic Regarding the Decade of Roma Inclusion* 2005–2015', while in Hungary, a '*National Programme Against Child Poverty*' is under preparation. These kinds of programmes can be national in scope and can correspond to a form of anti-poverty strategy, even though they target and refer in most cases to only one vulnerable group, or typically address one special field of poverty and social exclusion. As such, these specific programmes do not take up issues regarding poverty and social exclusion from a broader perspective, and thus do not necessarily make note of the strategic goals contributing towards poverty prevention targets in society as a whole.

Beyond these narrow, specific anti-poverty programmes, many Member States have *general* programmes for addressing issues of poverty and social exclusion. These programmes are not only outlining anti-poverty policy as such, but typically they lay down broader goals for society and the economy as a whole. They express general political goals relating to the prevention of poverty and social exclusion. These kinds of programmes can be found for example in Finland, Germany, Ireland, Italy and Sweden. In Finland, the Government Programme (from April 17, 2003) outlines goals for the prevention of poverty and social exclusion. In Germany, the Agenda 2010 programme introduces goals for strengthening growth and employment, creating more jobs, ensuring social security, and reforming social security systems in a sustainable way, as well as maintaining sound state finances. Combating poverty and social exclusion are seen as an integral component of a policy to promote participation that ensures equal opportunities for all and strengthens social cohesion. These kinds of programmes are significant in indicating that preventing poverty and social exclusion and promoting social inclusion and an inclusive society are recognised as part of the broader policy-making system. Further, they imply the mainstreaming of poverty and social inclusion policy development at the national level.

Only a few Member States have had or presently have a *distinct* national anti-poverty programme, strategy or plan similar to the National Action Plan. Ireland and the United Kingdom have had a specific national anti-poverty programme since the end of the 1990s; In Ireland, the ten-year *National Anti-Poverty Strategy* was launched in 1997 while in the United Kingdom a similar programme, *Opportunity for All*, was published for the first time in 1999. France has had specific framework legislation for developing a comprehensive policy for combating exclusion since 1998. This legislation is similar in content and aspirations to the Irish and British anti-poverty programmes (later in 2004 the fight against social exclusion became part of a new institutional framework related to the implementation of the new constitutional law on decentralisation). Of the 'new' Member States, a distinct anti-poverty programme is found in at least Slovenia, Poland and Lithuania. In Poland, the *National Strategy on Social Inclusion* (NSIS) was adopted in 2003 and set outs targets to be reached before 2010. These targets are included in the Polish NAP/inclusion as well. Lithuania (*Strategy on Poverty Reduction*) and Slovenia (*Programme on the Fight against Poverty and Social Exclusion*) both adopted national anti-poverty programmes in the beginning of 2000. As with Poland, the targets are integrated into the NAP/inclusion.

The fact that most Member States do not have a distinct national anti-poverty strategy outlines the importance of the NAP/inclusion. It is safe to argue that the National Action Plans have significantly advanced the status of poverty on the policy agenda. Member States have been obliged to put together a plan that specifies their strategies and priorities. What the ultimate impact of these plans will be evidently requires further critical evaluation in the future.

Next we focus briefly on administrative structures. The general interest is in seeing whether policy responses have materialised in the form of different structures, with particular interest in the existence of specific units responsible for poverty and social inclusion matters. The aim is to provide a broad understanding of poverty policy procedures among the Member States. We rely on the data derived from the questionnaires and from the National Action Plan against Poverty and Social Exclusion.

A general observation is that the European Union has had an important impact on the procedures of poverty and social inclusion policies and subsequent institutional arrangements. Only a few Member States have developed specific units responsible for poverty policy. As such, while poverty and social inclusion were given more emphasis as a result of the NAPs/inclusion, it was rare that countries had developed any specific and sophisticated administrative and procedural structures to monitor and address poverty prior to this.

In respect of specific units that have responsibility for poverty and social inclusion, Ireland stands out among the Member States. It has a set of structures in place – both at the political and administrative levels – to ensure that the issue of social inclusion is central to policy formulation and implementation. At the political level, the Cabinet Committee on Social Inclusion, Drugs and Rural Development, has been established and is chaired by the Taoiseach (prime minister). Several inter-departmental units have been set up to mainstream the fight against exclusion, such as the Senior Officials Group on Social Inclusion and also the Social Inclusion Consultative Group. A distinct unit was established in 1997, the National Anti Poverty Strategy Unit (NAPS), to act as co-ordinating body. This unit was replaced by the Office for Social Inclusion (OSI) in 2002. It is located in the Department of Social and Family Affairs and has overall responsibility for developing, co-ordinating and driving the National Action Plan against Poverty and Social Exclusion.

Specific poverty and social inclusion units can also be found in a few of the other 'old' Member States. The Social Exclusion Unit (SEU) is a strategy unit that works to reduce social exclusion in the United Kingdom. Besides this specific unit, a wide range of public authorities also deal with the issue of poverty and social exclusion. In France, the National Council on Poverty and Social Exclusion (CNLE) assists the government in an advisory role on issues regarding the combat against poverty and social exclusion, while a National Observatory on Poverty and Social Exclusion (Observatoire National de la Pauvreté et de l'Exclusion Sociale, ONPES) was established in 1998. Further, there exists a permanent inter-ministerial committee to combat exclusion (CILE). In Luxembourg, the National Agency for Social Measures (Service National d'action sociale, SNAS) was established in 1986 and is the primary unit responsible for issues related to poverty and social exclusion. Among the new Member States, both Latvia and Malta have a specific social inclusion unit. Latvia established their unit within the Department of Social Services and Social Assistance in October 2004 with the function of elaborating on social inclusion policy, while Malta set their unit up on in March 2005 with the aim of monitoring the NAP/inclusion.

Existence and use of poverty thresholds

When examining how poverty is defined and measured among the Member States, a general observation is that most Member States do not have an official definition of poverty or an official poverty threshold. The adoption, definition, or setting of an operational poverty threshold can have several implications, interpretations, and even consequences. Firstly, official adoption of a poverty threshold by a government exposes it to external and more objective review in terms of the success of policies and the general state of affairs. Secondly, if and when the poverty thresholds set are made accessible to the general public in addition to experts and civil servants, it creates a new possibility for citizens to reflect on and relate to their own situations.

Thirdly, defining poverty thresholds can enable more scientifically based estimations of the extent and incidence of income poverty, as well as providing a point of reference when setting minimum income levels (Heikkilä & Kuivalainen 2002, 49). Only Ireland and the United Kingdom have adopted an officially recognised national definition of poverty as well as a poverty threshold, though for the United Kingdom, this definition only applies to child poverty. In Ireland, the definition of Consistent Poverty identifies those people at risk of poverty (household income less than 60% of median income) and who are also deprived of at least one of eight items that the Irish people consider necessary to ensure a basic standard of living. In the United Kingdom, child poverty is defined and measured on the basis of three dimensions: absolute low income, relative income and a combination of material deprivation and low income.

All Member States are orientated towards relative measures to define poverty. Although, the relative poverty definition is widely recognised and commonly used, it is not considered as an official poverty line and neither are any other official, national poverty lines in use. Each Member State provides information on the extent of poverty that is based on the relative measure of income poverty. The way countries presently define poverty, and importantly, measure poverty, rests to a large extent upon the principles of the European Union[6]. The official EU definition of 'poverty level' is based on a relative evaluation, being equivalent to 60% of the median of a household's disposable income. It appears that this definition has gained a somewhat semi-official status among the Member States (cf. chapter one).

The multidimensional notion of poverty has during the past decade gained more support than the purely income-based variant. All Member States recognise poverty as a multi-dimensional phenomenon, and it is emphasized in each State's NAP/inclusion. This is more or less in accordance with the practice of the European Union. At the Laeken European Council in 2001, 18 commonly agreed indicators were established (known as the Laeken indicators) to approach the measurement of poverty and social exclusion. It is a common perception that low income is an inadequate measure of poverty. Poverty is rather seen more as a combination of low income and a low standard of living. It is, however, only in Ireland and the United Kingdom where poverty is officially defined on the basis of material deprivation. Ireland has adopted an advanced notion of poverty and in fact considers deprivation of certain items as one criterion of poverty.

6 The European Union relies firsthand on the relative definition of poverty and defines poverty as follows: people are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may have experienced multiple disadvantage through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalized from participating in activities that are the norm for other people and their access to fundamental rights can be restricted.

Although most Member States have not specified any official poverty definition or threshold, nearly all of them have adopted some kind of normative or administrative poverty threshold in the form of a guaranteed (statutory) minimum income. Only Greece and Hungary do not have this kind of poverty threshold in the form of a statutory guaranteed minimum income. The level of a guaranteed minimum income defines, in a way, the socially accepted minimum standard below which no member of society should fall. The level sets an informal poverty line, above which social rights are contracted to be delivered. The guaranteed minimum income level is often referred as the de facto poverty line; it reflects the concept of 'minimally sufficient resources' defined by each government. Since the level of a minimum social standard is based on a political decision, it reflects how much the government is willing to pay in the form of last-resort support (Veit-Wilson 1998, 8). It is worth noting that a government may set the minimum income level much lower than the official poverty line so as to avoid, for instance, work disincentives or because actual policy outlays are constrained by budgetary and other factors (Atkinson et al. 2002, 87).

The extent to which countries recognise this administrative, normative poverty line differs. For example, in Slovenia, for administrative reasons, the level of financial social assistance defines the level of minimum income. Similarly this was mentioned in Slovakia's, Czech Republic's and Poland's questionnaire responses. This further emphasises that each Member State is nowadays primarily referring to a relative concept of poverty. However, it was more typical in recent times – particularly to the central and eastern European countries – to favour more normative and administrative definitions of poverty. Developing and setting the various administrative thresholds was linked to efforts to calculate basic-needs driven levels like subsistence minima (Heikkilä & Kuivalainen 2002, 50). This tradition is still observable among some new Member States. For example, in the case of Hungary it is mentioned that the calculation of a needs-based subsistence level has a long tradition in the country.

Existence, coverage and level of minimum wages

Minimum wage arrangements have had two important goals since their existence: to pay workers a 'fair' compensation for their work effort and to raise the standard of living of low-paid workers and their families. The minimum wage is seen as one of the key instruments to tackle poverty among low-paid workers. Nonetheless, the role of the minimum wage as an anti-poverty tool is controversial, and many see minimum wage arrangements as more harmful than useful. While its proponents argue that it is an instrument for protecting low-paid incomes, opponents argue that it may price low-skilled workers out of jobs, and that many of those typically affected by the minimum wage do not live in poor households (See e.g. Vedder & Gallaway 2001; Addison & Blackburn 1999; Neumark & Wascher 1997; Burkhauser & Finegan 1989). In many Member States, minimum wages play an important role in the present context of 'making work pay' and 'activation policies' (European Commission 2002; 2005). For instance, Ireland and the United Kingdom raised their national minimum wage as part of their strategies to tackle the problems of poverty and to 'make work pay' (European Commission 2002). The minimum wage is nowadays combined more often with in-work benefits and more attention is given to the relationship between minimum wage and social security benefits in order to avoid disincentives. In the Czech Republic, for instance, minimum wages will continue to be increased on a regular basis in order to attain a more positive relation with the minimum subsistence amounts which are also regularly increased (European Commission 2005).

All Member States have presently some form of minimum wage-setting arrangement. The first distinction can be drawn on the basis of whether the minimum wage is statutory or not (see Annex 2). Two groups of countries can be distinguished: the larger group includes those countries with a national minimum set either by law or by a national intersectoral agreement, while the smaller group consists of countries with collectively agreed minimum wage rates negotiated between the social partners at sector level (EIRO 2005). Eighteen of the 25 European Union Member States have some kind of statutory minimum wage. This group is made up of nine of the old 15 Member States (Belgium, France, Luxembourg, Netherlands, Portugal, Greece, Spain, Ireland and United Kingdom) and nine of the 10 new Member States (the only exception being Cyprus, which has a statutory minimum wage only for a few specific occupations. In the remaining six old Member States (Denmark, Finland, Sweden, Austria, Germany and Italy), collective agreements are the main mechanism used for regulating low pay.

Some EU countries have a long tradition of setting a national minimum wage by law, whereas some countries have recently introduced a statutory minimum wage. The first ones to introduce a statutory minimum wage were France, the Netherlands, Belgium and Luxembourg. A second group of countries consists of Portugal, Greece, and Spain, who also have a rather long tradition of protecting pay at the bottom end of the labour market. The new Member States introduced new minimum wages at the beginning of the 1990s, and most of them have adjusted and expanded their legal framework for collective agreements in recent years. Ireland and the United Kingdom represent countries with the most recent minimum wage legislations.

The statutory minimum wages set by European countries as well as national wage settings through sectoral collective agreements differ in terms of the number of workers covered. Coverage is a key indicator of the significance and relevance of minimum wage arrangements. A low coverage rate implies a weak realisation of such an arrangement. We will look separately at countries with and without a statutory minimum wage.

For those countries that have a statutory minimum wage, except for Belgium, France and Cyprus, the wage affects, in principle, all adult employees. In Belgium, the minimum wage affects only private sector employees, whereas civil servants along with some minor groups are exempted in France. In Cyprus, a statutory minimum wage covers only specific occupations. In the rest of the countries, the list of exempted groups of adult employees is small. A common feature of the group of countries without a statutory minimum wage is the high coverage rate of collectively agreed minimum wages, generally laid down in sectoral agreements. This means that a high proportion of all dependent employees are protected by collectively agreed wages. Thus, the non-existence of a statutory minimum wage does not necessarily mean weaker protection in terms of coverage. In spite of a high coverage of statutory minimum wage, most countries have reduced rates for some specific groups. Those groups consist mainly of younger, less-experienced and disabled workers. The main argument for reduced rates is the supposed lower productivity of these groups. Four countries currently do not have reduced rates (Estonia, Lithuania, Poland and Slovenia). More widespread differences between countries can be found according to age and qualification.

The *level* of minimum wage is an elemental aspect with respect to poverty. Basically, Member States fall into three broad groups in regard to levels of statutory minimum wage (Eurostat 2005; EIRO 2005). The first group includes the new Member States, except Malta and Slovenia. In this group, the minimum wages (monthly or the equivalent where wages are set hourly, daily or weekly) varied between 116 and 235 euro as of 1 January 2005. The second group includes Malta and Slovenia and three Southern European countries with a statutory minimum wage – Portugal, Spain and Greece – where minimum wages varied between 437 and 668 euro. The third group, with statutory monthly minimum wages in excess of 1000 euro includes the Netherlands, France, Belgium, Ireland and the United Kingdom. The ranking of countries is not affected when minimum monthly wages are expressed in PPS rather than in euros; however, differences in the levels were markedly reduced when expressed in PPS (Eurostat 2005). A significant development from the point of view of poverty is that in most countries, the minimum wage level has increased rapidly over the last ten years, meaning that workers at the bottom of the labour market on a minimum wage have higher probabilities of avoiding financial poverty.

Poverty is understood in relative terms, i.e. poverty is always dependent on the general welfare level in a society. From a poverty point of view, the relative level of the minimum wage is thus more crucial than the absolute level. The absolute level does not reveal the capacity of the minimum wage in relation to the prevalent level of income in society. If the level of minimum wage lacks far behind average earnings in the society, then participation in the prevailing ways of living in one's society is unattainable. However, the influence of minimum wage provisions on the existence of the working poor is not obvious, and there is a lack of information on the relationship between the existence and relative level of minimum wage regulations and working poverty (Peña-Canas & Latta 2004).

Data on the relative level of the minimum wage (as a percentage of average monthly gross earnings) is more complex than on the absolute level, and the results differ to some extent between studies (Eurostat 2005; EIRO 2005). In the majority of countries operating a minimum wage, the *net* incomes of minimum-wage earners are below 60% of the median household incomes, and thus they are not sufficient to avoid poverty (OECD 2004). On the basis of existing data we can distinguish two larger groups. The first group is made up of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Spain, and in these countries, the minimum wage level is less than 40% of average gross monthly earnings (varying from 33 to 38% of average gross wages). The second group consists of Belgium, Luxembourg, the Netherlands, France, Ireland, the United Kingdom, Portugal, Greece, Slovenia, Slovakia and Malta, where the minimum wage level is over 40% (varying from 41 to 51%). The two cases most difficult to group are Slovakia and the United Kingdom. When looking at the countries without a statutory minimum wage, the results show the relative level of the minimum wage to be comparatively high (EIRO 2005). The lowest collectively agreed minimum wages in these countries were as high as statutory wages in the 'high statutory minimum wage' countries. With regard to generosity, Member States can be clustered into three groups (see Annex 2) by combining the information on the absolute and relative minimum wage levels.

Existence and nature of guaranteed minimum income schemes

Social protection is a key element of the policy response to poverty and social exclusion. Social transfers play an important role in reducing poverty risks; on average social transfers reduce poverty by 40 per cent (European Commission 2005, 191). While all types of social benefits prevent poverty, minimum income benefits are explicitly designed to combat poverty and are responsible for guaranteeing an adequate standard of living. Guaranteed minimum income schemes are thus a key means to prevent poverty, and the European Union[7] and the other international

7 In 1992, the Recommendation on Sufficient Resources (European Commission 1992) was given to establish common criteria concerning sufficient resources. In *A Concerned Strategy for Modernising Social Protection* (European Commission 1999) the Commission set as a goal to 'ensure effective safety nets, consisting of minimum income benefits and accompanying provisions, with a view to efficiently combat poverty and exclusion of individuals and families'. In 2000, the Lisbon European Council and the Nice Summit launched a new policy that emphasised greater social cohesion (Atkinson et al. 2002). The Nice Council adopted 'multidimensional objectives' in the fight against social exclusion, stressing among

organisations have continuously stressed their role in the fight against poverty. One of six key challenges outlined in the Joint reports for social inclusion is to ensure that social protection systems have sufficient coverage and levels of payment to guarantee an adequate minimum income for all to live with dignity. It has been argued that 'the guarantee of minimum resources has become part of a developing 'European social model' (Saraceno 2002, 15). By the same token, Guibentif & Bouget (1997, 109) argue that a 'guarantee of resources can be definitively regarded as having become a new element in the "social contract" in Europe'.

Previous studies have clustered minimum income benefits into three groups, the general, categorical and tied benefits (Eardley et al. 1996; see also Capucha 1999; Heikkilä & Kuivalainen 2002; Kuivalainen 2004). The general minimum income benefit fits into a system that is encompassing, open to all those who are without sufficient resources and who have passed the means test, and is not limited to specific population categories. As a general rule, it has been rather unusual to guarantee minimum income only through one general or universal (as it is referred to by Cantillon et al., 2004) benefit. It has been more typical to have separate forms of assistance guaranteeing minimum income to certain groups of the population, such as the elderly or the unemployed. These benefits are referred to as categorical assistance. Tied benefits provide access to specific goods and services in either cash or kind. Typical of such goods would be housing. In the literature, tied assistance is often referred to as an associated right. The focus here will be on general and categorical benefits.

In general, all 25 Member States have some kind of minimum income schemes providing income support; however, these schemes vary widely in their structure and coverage. With the exceptions of Greece and Hungary, all other Member states have a general form of guaranteed minimum income benefit (see Annex 3). A common characteristic of these benefits is that they are designed to provide a minimum income to those without sufficient resources. For instance, in the case of Malta it is stated that the benefit aims at ensuring a minimum income for those unable to maintain themselves, while in Finland and Sweden the benefit is designed for those without sufficient means to meet the necessary costs of living. A basic principle in all the countries is that claims to other benefits must be exhausted. General assistance ensures an income to all those who are not protected by any other system of social welfare benefits. Typical of the general form of assistance is that it is meant as a last-resort subsidy, and as temporary aid. Since general benefit is designed to guarantee a basic income for those whose income is otherwise insufficient, it involves two functions; the first one is to provide a guaranteed

other things that social protection systems must be organised to 'guarantee to all resources necessary to live with human dignity'. In this context, the national social assistance and minimum income schemes are important instruments in social protection policy. More recently, in its Communication on the Social Agenda in February 2005 the Commission announced a 'Community initiative on minimum income schemes and the integration of people excluded from the labour market'.

minimum income, whereas the second aim is obliquely derived from the first goal, so that in providing a minimum income, a general benefit aims to prevent people from falling into poverty. For example, in the cases of Luxembourg and Spain, it is explicitly stated that the benefit is designed to combat poverty and is used in the fight against social exclusion.

Only a few Member States (Luxembourg and Austria) have a minimum income that is guaranteed only through one generalised, all-encompassing benefit. It is more typical that countries have in the course of time introduced separate forms of assistance that guarantee minimum income to certain groups of the population, i.e. categorical assistance (see Eardley et al. 1996). Categorical assistance is available only to those who in addition to insufficient resources are to be clustered into certain group, i.e. fulfil certain specified group-related criteria, such as age. There is a wide range of categorical assistance covering different groups, from the disabled and elderly to the unemployed and families with children (Heikkilä & Kuivalainen 2002, 67–69). This categorical approach can provide more specific safety nets for groups of socially insured that are either insufficient or have exhausted their entitlement to benefits, while general assistance acts as a safety net to catch those with low income who meet quite broad eligibility and entitlement criteria.

In particular, disabled people are separately cared for by categorical programmes. There is a specific non-contributory minimum scheme for invalidity in a majority of Member States (the only exceptions according to the MISSOC data being Austria, Greece, Luxembourg, Poland and Slovenia). A number of countries have more than one separate benefit for disability. This is the case for example in Belgium, Italy and Slovakia. Another group for whom minimum income protection is separately organised is the elderly. Most Member States have categorical assistance for old-age (according to MISSOC, Belgium, France, Germany, Ireland, the United Kingdom, Italy, Portugal, Spain, Estonia, Latvia, Lithuania, Hungary, Cyprus and Malta). In principle, benefits targeted at the elderly are intended for senior citizens who do not qualify for any other types of pension. In addition to these two separate groups of the disabled and elderly, there exist categorical schemes for other groups, such as single parents, families with children and the unemployed.

From the viewpoint of poverty alleviation effectiveness, the eligibility rules of minimum income benefit are essential. Eligibility refers to the regulations governing the basis on which an individual establishes a right to assistance (see more Eardley et al. 1996, 48; Guibentif & Bouget 1997, 8; Behrendt 2002, 89; Kuivalainen 2004, 71–72). If minimum income schemes are only restricted to a small marginal group within the population, it will most likely exclude many poor households from receiving support. Next we will examine the general conditions of eligibility for a general minimum income, namely duration, residence and nationality, minimum age thresholds and work requirements.

Duration is unlimited in most Member States meaning that for as long as conditions of eligibility are met, one has a right to apply for general minimum income benefit. Eight countries in Europe limit the duration of social assistance, those being Latvia, Lithuania, Slovenia, Slovakia, Spain, France, Italy and Portugal.

In most Member States there are no conditions in relation to age, and in principle all those aged 18 and older have a right to minimum support. Three countries have stipulated a minimum age for claimants of social assistance: Spain, France and Luxembourg, where social assistance is payable only to those aged 25 or older. A few countries also have an explicit maximum age: in Malta general social assistance is only meant for those under the age of 60 and in Spain the age limit is 65. Despite the general minimum age of 18 years, younger people are in most countries treated differently than older. For example in the Netherlands, the benefit levels are set at a lower level for those aged under 21. The lower benefit levels and tighter condition rules underline the importance of age with regard to a full right to social assistance. During the past 15 years the rules affecting young people have been tightened and the responsibility of parents has been extended (See more Guibentif & Bouget 1997, 13; Kuivalainen 2004, 125–126).

Countries or schemes can limit eligibility also through national and residence conditions. Attention is generally paid as to whether the right to a minimum income is granted only to citizens of a particular country or if assistance is also given to non-nationals. In principle, countries have mainly followed two different patterns in this issue; either to not include any nationality conditions or to reserve benefit for nationals allowing only limited categories of non-nationals access to the benefits (Guibentif & Bouget 1996, 9). In most of the Member States, a minimum income is theoretically available to any legal and permanent resident in the country. In most cases, the non-nationals also have the right to public support. According to MISSOC data, seven Member States (Austria, Belgium, Germany, France, Denmark, Malta and the United Kingdom) have specified more detailed conditions for nationality. For example, in Germany, only nationals and the citizens of the signatory countries to the social security agreement are eligible for social assistance. Four countries (Luxembourg, Denmark, Spain and Malta) have also specified rules for residency. The rules are strictest in Denmark; recipients must have resided in the country during 7 of the last 8 years. For example, in Luxembourg, the required period of residence is at least 5 years during the last 20 years. A unifying feature of many countries is that they have during the past decade imposed restriction for non-nationals and many countries, such as Germany and Finland, have introduced separate schemes for asylum seekers and refugees (Kuivalainen 2004, 122–124).

During the past decade, the most significant changes introduced to social assistance concern work availability and job search requirements. Eardley et al. (1996, 147) noted that in the great majority of countries a work test was introduced at the beginning of the 1990s. Lødemel and Trickey (2000, xi) found that all countries that were included in their study had extended the range of compulsory work activities during the 1990s. In principle, the entitlement to social assistance is no longer unconditional; the able-bodied working-age recipients are requested to fulfil conditions relating to work in order to gain entitlement to benefit. This can be interpreted as an indicator of a paradigm shift from a passive to an active welfare state (Heikkilä 1999; Lødemel & Trickey 2000). Basically, each member state requires as a minimum that recipients register as unemployed and establish that they are actively seeking work.

Given that the key aim of minimum income schemes is to protect people against poverty and to enable participation in society, the level of support becomes essential; foremost the level should be at such a level that these aims would be realised. Social rights should to a greater extent be interpreted in terms of social provisions than merely on the basis of legislative provisions. The comparative data in this area is however inadequate. Despite many countries having a form of universal minimum income benefit, the reality still does not adhere closely to the intentions declared in the laws: the administration of benefits tends to be quite discretionary and in some cases is dependent on resources being available at local level. Studies (Braithwaite et al. 1999; Capucha 1999; Heikkilä & Kuivalainen 2002) have shown that social assistance schemes play only a minor role in central and eastern European countries and suffer from poor targeting and a lack of proper funding. Yet, most of the new member countries have some form of social assistance scheme, though the functioning of these schemes has been inadequate. Many new Member State, for example Slovenia and Hungary, have expressed a wish to improve eligibility rules for social assistance in order to make social assistance more effective, efficient, and reliable.

Conclusion

This chapter has examined the existence and structures of national policies and measures to combat poverty and social exclusion across the Member States. It appeared that only a few Member States have recently had or presently have a distinct national anti-poverty programme. The fact that most Member States did not have a distinct national anti-poverty strategy underlines the importance of the NAP/inclusion process. It is safe to argue that the National Action Plans have significantly advanced the status of poverty on the policy agenda in each Member State. It is also fairly evident that the European Union has had a significant impact on the nature of national poverty policies. While National Action Plans reflect the most recent policy objectives of individual countries, the European Union, however, sets the main objectives. Since national policy approaches now follow common objectives and guidelines, it is evident that countries *appear* more similar to each other in their poverty policy than they otherwise might.

All Member States place great emphasis on employment policy as a key tool in the fight against poverty. This is particularly evident among the new Member States. The main strategy for combating poverty and social exclusion seems to be prefaced on the principle that work and people's active participation is the best way to alleviate poverty and promote social inclusion. This is pretty much in line with the EU guidelines adopted by the Lisbon European Council and by the Nice Summit in 2000. Full employment and a steady trajectory of economic growth are seen as of key importance in tackling poverty and social exclusion. The role of social policy and social security as measures against poverty are also stressed. The Member States differ however with regard to social policy measures. Some countries put more emphasis on universal and preventative measures (particularly the Northern Member States), while a majority of countries rely more on targeted measures.

The increased role of targeted measures was also realised in the specific programmes presented in the NAP/inclusion. Each Member State outlined a number of programmes aimed at alleviating poverty and social exclusion. Most of these programmes were selective in their nature and were targeted only at groups identified as being at risk of poverty and social exclusion. On the whole, strong emphasis is placed on the vulnerable groups in each Member State. The targeted nature is also apparent with regard to services (except health services). Most social services are intended only for marginalized groups with special needs. In general, social services are more and more seen as a means to combat poverty and promote social inclusion. The new Member States particularly recognise the weak and undeveloped state of services and thus underline the need to improve the quality of services in the future. Most Member States stressed the importance of employment services. More help is being provided for those who face the greatest barriers to work. Services, those aiming at improving employability, can be seen as an essential part of employment and activation policy. While activation has gained a lot of attention during recent years, activation as such was not strongly emphasised in the second generation of NAP/inclusion, rather it appears that active measures as such are more present in employment strategies. All in all, the role and impact of services in the fight against poverty is a less studied field and requires efforts in future.

3 Summary and discussions

Summary

The objective of this report was to provide a broad assessment of the current state of Member State policies related to poverty and social inclusion. Based on existing data and material on anti-poverty policies in individual Member States, three interrelated issues have been analysed: the volume and nature of income poverty and other forms of (material) deprivation, the existence and nature of specific national policies and programmes for combating poverty and social exclusion, as well as the possible administrative structures and procedures of those policies

Social redistribution and social policy belong to the exclusive competence of the Member States. Europe's choice of social subsidiarity is inscribed in the Treaty of Rome. The principle of subsidiarity implies that, in areas where the community and Member States have shared competencies, the Community can only intervene when the Member States fail or when action, because of its scope or consequences, can better be undertaken at Community level. In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore by reason of the scale or effects of the proposed action, be better achieved by the Community (Fouarge 2004, 22–24).

The issues of poverty and social exclusion were put on the agenda of the European Union during the 1980s, with the launch of three subsequent Poverty Programmes and the establishment, in 1990, of an Observatory on National Policies to Combat Social Exclusion. In 1992 Recommendation 92/441 officially recognized that "social exclusion and the risk of poverty have become more prevalent and more diversified over the last 10 years" and, invited the member states to institutionalize "the basic right of a person to sufficient resources and social assistance". In 1997, with the Treaty of Amsterdam, the fight against exclusion became an official objective of the EU (Ferrera 2005, 2: Fouarge 2004, 6–11; 211–213).

At the Lisbon Council of March 2000, the EU Member States agreed that they should co-ordinate their policies for combating poverty and social exclusion on the basis of an open method of co-ordination (OMC). The European council adopted a series of targets that the Member States were to pursue. The Member States were to account for the fulfilment of the targets in their biennial national action plans (Fouarge 2004, 211–213).

The need to take steps in order to eradicate poverty has now steadily put the issues of poverty and social exclusion on the political agenda at the European Union. As part of the approach outlined in Lisbon, the Commission has set up a five-year

Social Policy Agenda setting a number of strategic goals (European Commission 2000, 2003). There have been two rounds of the OMC on social inclusion, the second round including the 10 new Member States in 2004 (European Commission 2005, 7).

The official EU definition of (income) 'poverty level' is the proportion of people living in households with an equivalent income below 60% of the median. In 2003, the at-risk-of-poverty rate in the EU15 was 16% (Annex 1). However Member States displayed considerable variation in their at-risk-of-poverty rates. The share of persons with an equivalised disposable income below the set poverty threshold varied between 21% and 8%. However, the income definition of poverty remains problematic. This paper has developed a new indicator of poverty based on income, subjective and deprivation indicators. With this multidimensional measure the variation between Nordic, Central European countries, the UK and Ireland is reduced, while at the same time, differences to Mediterranean countries are even more extended.

The existence and nature of poverty policy programmes

Most of the national programmes aimed at fighting poverty and social exclusion – present in most of the Member States – are selective in their nature and targeted at vulnerable groups, for instance, at disabled people, immigrants and ethnic minorities, disadvantaged young people, drug addicts, homeless people, and families with children. However goals for preventing poverty and social exclusion are well outlined also in more comprehensive policy programmes in some Member States. These approaches imply the mainstreaming of social inclusion concerns into national policy making.

A few of the old Member States had a distinct national anti-poverty programme or plan similar to the National Action Plan previous to the launch of OMC/ inclusion. The Irish Government had in 1995 committed itself to the development of a National Anti-Poverty Strategy following its participation in the United Nations World Summit in Copenhagen. An Interdepartmental Committee subsequently formulated (1997) the Irish government's national anti-poverty strategy, *Sharing in Progress*. (McCashin 2004, 79.) A similar programme *Opportunity for All*, was published in United Kingdom in 1999. In France the debate on social exclusion can be traced back to the early 1970s, while France has had specific framework legislation for combating exclusion since 1998. Three new Member States (Slovenia, Poland and Lithuania) initiated their anti-poverty programmes in the beginning of 2000. The importance of the NAP/inclusion is outlined by the fact that in most Member States the National Action Plan against Poverty and Social Exclusion is the main instrument in the fight against poverty and social exclusion and in developing programmes of action.

The nature of the poverty policies adopted in each Member State varies depending on the initial situations, but there seems to be a trend towards combining a universal policy and targeted measures. The universal model does not exclude the fact that targeted measures are additionally needed to help the most vulnerable groups. A targeted policy seems necessary to ensure that those people most at risk also take part in the economic process (Fouarge 2004, 208). However some countries give priority to targeted measures.

Employment policy – "work is first" – is important in all Member States in eradicating poverty. In the fight against social exclusion, facilitating access to employment is at the heart of Member State strategies. The first priority is activation and participation in employment. Despite some differences between the countries, the general trend in most Member States seems to be towards activation and targeting of social benefits and also a growing emphasis on benefit conditionality. Social services (high quality services) are seen as a means to promote social cohesion and to combat poverty and social exclusion. Social services have an important role in welfare policy by complementing the universal support system as well as supporting employment programmes. Social services also promote better opportunities for combining work and family life.

Specific anti-poverty units are found in three countries where anti-poverty strategies were launched already in the 1990s, that is in Ireland, the United Kingdom, and France. In addition Luxemburg had established a specific anti-poverty unit as early as 1986, while in Malta and Latvia, units to combat poverty and exclusion were set up in the 2000s.

Minimum wage

The minimum wage is seen as one of the key instruments to tackle poverty among low-paid workers. Nonetheless, the role of the minimum wage as an anti-poverty tool is controversial.

Eighteen of the European Union Member States have some kind of statutory minimum wage. Five of the old Member States (Belgium, France, Luxemburg, Netherlands, Portugal) and Malta had already introduced a statutory minimum wage between 1968 and 1975; the Netherlands being the first and Belgium the last of this group. In Spain a national minimum wage law was passed in 1980, while Greece, along with six new Member States (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland), introduced a minimum wage at the beginning of the 1990s. Ireland and the United Kingdom, along with two new Member States (Slovakia, Slovenia), are the countries with the most recent minimum wage legislation. Collectively agreed minimum wage rates that are negotiated between social partners at a sector level exist in six old Member States and are the main mechanism used to regulate low pay. Austria, Germany, and Italy belong to this group. The three other countries with collectively bargained minimum wages are Denmark, Sweden, and Finland, which have a union-administrated unemployment insurance system, referred to as the Ghent system (Kjelberg 2006).

With the exception of three countries, the statutory minimum wage covers, in principle, all adult employees. The non-existence of a statutory minimum wage does not necessarily mean weaker protection in terms of coverage. A high coverage rate of collectively bargained minimum wages characterizes the six countries that do not have a statutory minimum wage. A high proportion of all dependent employees are protected by collective agreements.

The level of minimum wage plays a decisive role in tackling poverty, with the relative level of minimum wage being more crucial than the absolute level. Based on the existing information on the absolute and relative minimum wage levels, we have found three groups of countries (Annex 2). In the group where the minimum wage level is higher than the average between countries are the countries which had introduced minimum wage legislation before 1975 and also the countries with collectively agreed minimum wages. Ireland is also found in this group, though it has more recently established a statutory minimum wage. The second group, where minimum wage is at the average level, consists mainly of countries with a more recent tradition of minimum wage legislation, mainly since the 1990s (except for Cyprus 1941 and Portugal 1974). Two new Member States are also found in this group: Slovakia and Slovenia. Countries with a lower than average level of minimum wage (third group) are all new Member States with legislation dating from the 1990s.

Minimum income schemes

One challenge in tackling poverty and social exclusion is to ensure that social protection schemes have sufficient coverage and levels of payment to guarantee an adequate minimum income for a decent life for all. While all types of social security benefits prevent poverty, minimum income schemes deal with the most acute lack of resources.

We have given an overview of the existing minimum income schemes and outlined the main differences and similarities between countries. Minimum income benefits have been clustered into three groups: general, categorical and tied benefits.

There is currently some kind of minimum income scheme in all 25 Member States even if there is great diversity in the structures and coverage of these schemes. All Member States with the exceptions of Greece and Hungary have a general minimum income benefit, designed to provide minimum income to those without sufficient resources. A basic condition is that claims to other benefit must be exhausted. General assistance guarantees an income to all those who are not protected by any other social security benefits. It is meant as a last-resort subsidy or safety net, and as temporary aid. However, only a few Member States (Luxembourg and Austria) have just one all-encompassing benefit. Most countries have categorical assistance schemes targeted at certain groups. Categorical assistance is available to those who in addition to insufficient resources fulfil certain specified criteria. Most Member States have categorical assistance for the elderly and disabled, with various additional schemes for single parents, families with children, the unemployed and immigrants. The minimum income schemes in many countries can thus be characterized as dual social assistance (cf. Aust and Arriba 2005, 101).

In most countries, a person aged 18 or older has an independent right to minimum support, but young people in most countries are treated differently. In the Netherlands, the minimum age requirement is 21 years and in three countries (Spain, France and Luxembourg) a considerably higher minimum age of 25 years or older obtains. During the past 15 years, rules for younger people have been tightened and the responsibility of parents has been extended. Eight Member States (four new and four old) limit the duration of social assistance. According to the MISSOC data, in most Member States, all legal and permanent residents are eligible to apply for social assistance. One new and six old Member States have a special regulation regarding nationality, while four countries (three of them old) have special rules regarding the necessary length of residency. There is also a growing emphasis on benefit conditionality.

Discussion

It is difficult to construct a typology of anti-poverty programmes or social assistance schemes. It is true that comparative research efforts have identified a set of models or regimes that reflect group-specific cultural, geographical, institutional, and political legacies. Out of this work have emerged multiple typologies of welfare-state policy with varying degrees of complexity. There is no consensus about which typologies to apply and yet the assumption that welfare states cluster around certain distinct regimes is often taken for granted. However it is also admitted that the welfare regimes are basically ideal types. Real-life welfare states are very likely to exist in hybrid forms: while parts of the system may follow one approach, other parts might follow a different one. Moreover welfare policies can and have changed.

Systematic international comparisons focusing on minimum income or social assistance schemes remain rare. The role and importance of social assistance as a safety net of last resort is to a large extent determined by inclusiveness of the labour market and by the coverage and generosity of the 'primary' social security benefits. Thus the three or four welfare regimes may be a good starting point for comparing social assistance regimes, but this approach has to be complemented by further analysis of the differences between assistance schemes in terms of selectivity, organisation, entitlement rules and benefit levels (Aust and Arriba 2005). Some have proposed as many as seven or eight social assistance regimes (Gough 2001: see Kuivalainen 2004, 63-68).

Leonor Vasconcelos Ferreira and Adelaide Figueiredo (2005) have assessed existing welfare regimes in the countries of the European Union before and after the 2004 enlargement, building on a comprehensive approach that considers different dimensions of welfare through an extended set of variables. The investigation is focused on the patterns of welfare provision and welfare outcomes and stratification effects in the different countries. Using two groups of indicators (36 variables) they show a clear division of the EU15 countries into two clusters: The southern-European or Mediterranean countries (Spain, Italy, Portugal, and Greece) constitute one cluster and all other countries the other. Jonathan Bradshaw's and Veli-Matti Ritakallio's comparative analysis of European poverty (in this report) using a direct measure of poverty similarly gave the same two clusters. By means of the multidimensional measure, variation between Nordic, Central European countries and the UK and Ireland are reduced, while at the same time differences to the Mediterranean countries are even more extended.

After Vasconcelos Ferreira and Figureido included EU enlargement from May 2004 into their analyses, hierarchical clustering shows *three* clusters for the set of EU countries analysed. Mediterranean countries maintain their position as a separate cluster; Ireland joins the main block of newcomers, while the Czech Republic, Hungary, and Slovenia cluster together with the main block of pre-enlargement countries. In this lastly named cluster, one can broadly distinguish two branches: one including the classical family of conservative countries plus the Czech Republic, Hungary and Slovenia, and the second including Scandinavian countries and the UK. Of the old Member States, Luxembourg is not in the analysis, while of the new States, Malta and Cyprus are not included, due to large amounts of missing information (Vasconcelos Ferreira and Figueiredo 2005). The groups we identified when looking at the levels of minimum wages resembled the above clusters.

Bea Cantillon's results are also not very different to the above-mentioned. By connecting 'poverty risk' and 'the purchasing power at the poverty threshold' Cantillon (2005) has identified four clusters of countries within the Union. These are:

1. Countries with a below-average poverty risk and where the people at-risk-of-poverty enjoy above-average purchasing power(Central European and Nordic Countries, Luxembourg, Sweden, Denmark, Germany, Finland, Belgium, France, Austria and Netherlands),
2. Countries with few poor persons, but where 'the poor' have below-average purchasing power (Czech Republic, Hungary, Slovenia),
3. Countries with an above-average poverty risk and an above-average purchasing power (UK, Italy and Ireland),
4. Countries with a high proportion of poor who have below-average purchasing power, (Greece, Portugal, Cyprus, Latvia, Lithuania and Estonia, Spain, Malta and Poland.)

Upon studying the effects of the welfare state regime on poverty, Fouarge (2004,208) found that long-term poverty—in other words persistent poverty—is lower in Nordic and Central European countries.

There is considerable variation in Europe's social architecture, while the divergence in terms of outcome is at least as great. What explains the different degrees of effectiveness of poverty alleviation? Are specific features of welfare states typically related to certain outcomes? The correlation between social expenditure (welfare state efforts) and the alleviation of income poverty has been established in empirical studies (Behrendt 2002; Cantillon 2005). They indicate that countries with high social spending tend to reduce poverty more effectively than countries with a lower social expenditure ratio. The welfare effort is more closely correlated with the reduction of poverty rates than to the level of poverty as such. However there is a large variation in the relationship between input (social expenditure) and output (reduction of poverty rates), and hence, also in terms of efficiency. Countries with similar levels of social expenditure reach divergent levels of poverty reduction. So also the characteristics of the national welfare arrangements, not the sheer size, play role in poverty reduction (Korpi & Palme 1998: Nelson 2003).

Indeed, welfare states differ in more respects than just the size of total expenditure. While social assistance may have been intended to play a residual role in social protection, it has assumed a key function in securing minimum incomes for the poorest. Social assistance schemes still make up a considerable portion of social expenditure in European welfare states. As the basic safety net of the welfare state, minimum income schemes play a decisive role in the alleviation of poverty. Given that the key aim of minimum income schemes is to protect people against poverty and enable participation in society, the level of support becomes essential. However the prevalence of poverty and the income-development of low-income populations are affected by many other factors besides income security, such as changes in employment, development of earnings among low-wage earners, taxation and changes in family structure. In addition to free public services or subsidized social services alleviating poverty, such services as education and training, child day care, health care services as well as an active labour market policy have great importance in preventing poverty. The variation of poverty levels may be determined by the primary income distribution, reflecting variations in socio-demographic and socio-economic structure. Assessments on the sufficiency of income security through trends in poverty or income trends of households on low income must therefore be made with caution. The results of social inclusion policy are strongly affected by developments of the economy and employment.

What can be said about the role of National Action Plans against Poverty and Social Exclusion (NAPs/inclusion) in the fight against poverty? It is true that they show the intentions of Member States to strengthen the social inclusion process, but they seem to be more government activity reports on domestic policy written for the EU and an international audience rather than strategic action plans or policy steering documents (Pochet 2005, 13). NAP/inclusion reports can lead to 'cognitive Europeanization', because the implementation reports have been written according to a format agreed between the Member States and the European Commission. Both the NAP/inclusion reports and answers to questionnaires indicate a "learning process". It is difficult to say whether the similarity of reports has a counterpart in reality. Since compilation of NAPs/inclusion is based or requires interaction and broad partnership between stakeholders, it can contribute to an improved inter-ministerial and inter-departmental co-ordination and to mobilizing stakeholders.

The overall aim of social inclusion is to make a decisive impact on the eradication of poverty by 2010. Available at-risk-of-poverty rates however show that there still exists a wide gap between common European objectives and the policies established to address them. The number of citizens of the enlarged EU at-risk- of-poverty is still high; on average, 16% of the EU population is at risk in 2003 (see Appendix 1). The share of persons with an equivalised disposable income below the risk-of-poverty threshold varied between 21% and 8%. In 2003, the highest poverty rates were in four southern-European countries, as well as in Slovakia, the UK, Ireland, and Estonia. At the other extreme are low-poverty countries Czech Republic (8%), Luxembourg, Hungary, and Slovenia (10%), followed by Nordic EU countries, France, Holland, and Austria (11–13%). Differences between countries naturally reflect disparities between poverty thresholds which are functions of the overall income distribution in a country.

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INCOME POVERTY IN THE EU25

As has been argued in this report (Chapter 1) the relative income method as a sole indicator of poverty is inadequate for various reasons. One criticism is that it does not reflect the actual way of life or real material deprivation due to low income. However in order to broaden the scope of countries to cover the whole EU25 we have to employ this somewhat narrow definition of income poverty. In 2005, EUROSTAT published a comprehensive report on income poverty in all Member States (Statistics in focus 13/2005 by Anne-Catherine Guio). For that report Eurostat launched a collection of indicators derived from national sources during the transition until the new EU-SILC.

Indicators used in the Guio -report focus on relative income poverty, referring to individuals living in households where equivalised income is below the threshold of 60% of the national median income. Conventionally this indicator is referred to as a measure of poverty risk.

The following two figures are taken from the original report (Statistics in focus 13/2005 of Eurostat).

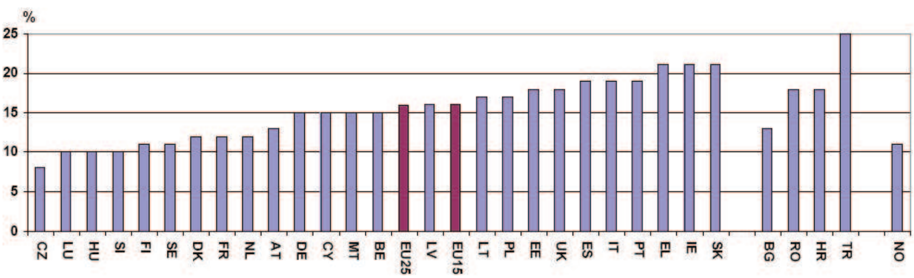

FIGURE 1. At-risk-of-poverty rate, EU25, total population 2003

On average, 16% of the EU-population were at risk of income poverty in 2003. This means around 72 million people. The variation of risk between Member States is considerable. At the highest extreme are Slovakia, Ireland and Greece (21%) followed by Portugal, Italy and Spain (19%). At the other extreme are low-poverty countries, the Czech Republic, Luxembourg, Hungary and Slovenia, followed by the Nordic group of countries. Perhaps an interesting observation is that the average calculated for the enlargened EU (EU25) is lower than the EU15 average.

Differences between countries naturally reflect disparities between poverty thresholds that are functions of the overall income distribution in a country. Therefore there are good reasons to look at the monetary values of poverty thresholds in purchasing power parities in respective countries. This is done in Figure 2.

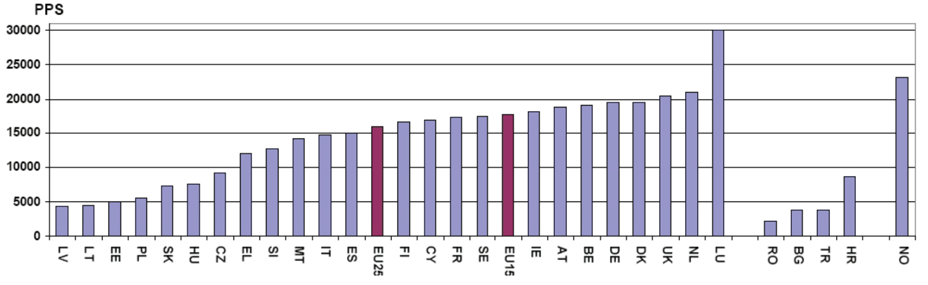

FIGURE 2. Values of the at-risk-of-poverty thresholds in PPPs for 2 adults + 2 children households in 2003

Generally speaking countries indicating the lowest poverty risk tend to have the highest poverty thresholds and vice versa. But this is only part of the truth. When focussing on the new member countries this correlation does not always hold. Although some of the new Member States rank well in poverty risk comparison (like Slovenia, Hungary and Czech Republic), their poverty threshold values fall far below the EU25 average. In fact nine of the ten new Member States have a threshold which is below the EU25 average. To quote the original source, Eurostat states that expressed in terms of the EU25 average (15 913 PPS) values range in the enlarged Europe from 28% in Latvia to 188% in Luxembourg, i.e. a ratio of almost 7, which highlights the differences between national standards of living. As is said in the Guio -report '…*This emphasises the need to go beyond the examination of measures of relative poverty risk in order to draw a more complete picture of poverty and social exclusion in a given country.*'

NATIONAL MINIMUM WAGES IN THE EU25

	Year of introduction1	Coverage 2	Level3,*
Belgium	1975	Private sector employees aged 21 and more	1
Czech	1991	All employees, reduced rates for 16-21 years old and disabled people receiving invalidity benefit	3
Cyprus	1941	Six occupations	2
Estonia	1994	All employees	3
France	1970	All employees, however civil servants, apprentices and employed prisoners are exempted, reduced rates for 16-17 years old and for disabled people. Adjustments to specific working conditions (e.g. janitors, domestic workers) and for employees in the hotel and catering trades.	1
Greece	1990	All employees. Minimum wage amount varies according to employees' length of service and marital status; different minimum wages for blue- and white-collar workers.	2
Hungary	1992	All employees	3
Ireland	2000	All employees aged, reduced rates for those under age of 18. Reduced rate for employees over age 18 in the first two years after the date of first employment; reduced rate also for employees undergoing a prescribed course of study or training.	1
Latvia	1992	All employees differentiation by age and qualifications	3
Lithuania	1991	All employees	3
Luxembourg	1973	All employees aged, reduced rates for those under age of 18, disabled people and for unskilled employee.	1
Malta	1974	All employees aged, reduced rates for those under age of 18. Sectoral minimum wage: may vary by occupation.	1
Netherlands	1968	All employees, reduced rates for 15-22 years old.	1
Poland	1990	All employees, reduced rates for employees who have worked less than two years.	3
Portugal	1974	All employees, reduced rates for apprentices and disabled people.	2
Slovakia	1996	All employees aged, reduced rates for those under age of 18 and disabled people.	2
Slovenia	2002	All employees	2
Spain	1980	All employees. Reduced rate for apprentices and people with disabilities.	2
United Kingdom	1999	All employees aged for 16-21 years old. Reduced rate for adult workers for the first six months of employment (if they are new recruits and on a training scheme).	2
Austria	Collective agreements	Coverage rate 99 %	1
Denmark	Collective agreements	81-90 %	1
Finland	Collective agreements	90 %	1
Germany	Collective agreements	69 %	1
Italy	Collective agreements	100 %	1
Sweden	Collective agreements	95 %	1

Source: 1 ILO 2006, 2 EIRO 2005; ILO 2006, coverage rates can be either estimations, legislative or implemented; Peña-Canas & Latta 2004, 3 Eurostat2005; EIRO 2005

* Countries are clustered into three groups based on the information on the absolute and relative minimum wage levels:, value 1 indicates that minimum wage level is higher than an average between countries, value 2 refers to average level and value 3 to a lower level than on average.

National social assistance schemes in the EU25

	General	Eligibility for general assistance	Categorical
Austria	Sozialhilfe	Detailed conditions for nationality	--
Belgium	Right to the social integration including the Integration Income	Detailed conditions for nationality	Guarantee of income for older persons, Handicapped persons' allowance: Income Replacement Allowance, Integration allowance, Allowance for Assistance to the Elderly payments, Advance on maintenance
Cyprus	Public assistance		Social Pension Special Allowance
Czech	Social assistance Benefit		Services and special benefits for the disabled, Social Allowance for Families
Denmark	Social assistance, Settlement benefit	Detailed conditions for nationality, specified rules for residence	A special unemployment benefit is paid during the unemployed period in between two flexible jobs
Estonia	Subsistence benefit		National Pension, National Pension in Case of Survivorship
Finland	Social assistance		Special Assistance for Immigrants
France	Revenu Minimum d'Insertion (RMI)	Duration is limited, stipulated minimum age, detailed conditions for nationality	Special Allowance and supplementary allowance, Allowance for handicapped adults, Integration allowance, Single Parent Allowance
Germany	Social assistance	Detailed conditions for nationality	Need- orientated sufficient resources during old-age and in the event of incapacity to work, Benefits for bind persons, Federal Child-raising Allowance. Federal Act on promotion of further education
Greece	No general scheme	--	Flat-rate allowance for children who are not supported, Flat-rate living allowance, People undergoing severe hardship, Flat-rate Maternity Allowance, (mothers with no financial support), Benefit awarded to refugees of Greek origin coming from Eastern Europe, Egypt or Albania, Family allowances for Greek emigrants returning to the country, OGA family allowance, Flat-rate allowance for single-parent families
Hungary	No general scheme	--	Old-age Allowance, Regular Social Benefit

	General	Eligibility for general assistance	Categorical
Ireland	Supplementary Welfare Allowance	Only for those of not capable of working	Old-age Non-Contributory Pension, Disability Allowance, One Parent Family Payment, Widow's and Widower's Non-Contributory pension, Carer's Allowance, Blind Person's Pension
Italy	Minimum income	Duration is limited	Social pension, Pension for disabled civilians, Pension for blind civilians, Pension for deaf-mutes (Pensione pers ordomuti), Allowance for partially disabled civilians, Allowance for disabled civilians under 18 years, Attendance allowance, Special allowance for partially blind people, Communication allowance for deaf mutes
Latvia	Guaranteed Minimum Income Benefits	Duration is limited	State Social Security benefit for old age and invalidity
Lithuania	Social benefit	Duration is limited	State Assistance Benefits for old age and invalidity
Luxembourg	Revenu Minimum Garanti	Stipulated minimum age, specified rules for residence	--
Malta	Social assistance	Stipulated maximum age, detailed conditions for nationality, specified rules for residence	Age pensions, Social Assistance invalidity, Unemployment assistance, Social Assistance for single parents
Netherlands	Algemene Bijstand		Supplementary benefit, Specific non-contributory minima for unemployed persons, Act on Income Provisions for Older, partially Disabled Unemployed Persons, Act on Income Provisions for Older, partially Disabled Self-Employed Persons
Poland	Social assistance		Special Needs Allowance
Portugal	Social Insertion Income	Duration is limited	Old-age pension, Invalidity social pension, Widow(er)'s Pension, Orphans Pension, Long-term Care Supplement, Extraordinary supplement for solidarity, Social Support
Slovakia	Benefit in Material Need	Duration is limited	Purchasing and Maintaining (Medical) Equipment Benefit, Allowance for the Purchase of a Guide Dog, Car Purchase benefit, Transportation Benefit, Adaptation of Residence Benefit, Disabled Person's Allowance, Personal Assistance Benefits

	General	Eligibility for general assistance	Categorical
Slovenia	Financial Social assistance	Duration is limited	State pension
Spain	Ingreso mínimo de inserción / Renta mínima	Duration is limited, stipulated minimum and maximum age, specified rules for residence	Non-contribuotory old-age pension, Non-contributory invalidity pension, Non-contributory child benefit
Sweden	Ekonomiskt bistånd		Support for Service for Persons with Certain Functional Impairments, Help from a personal assistant or financial support for reasonable costs
United Kingdom	Income Support	Detailed conditions for nationality, only for those of not capable of working	Retirement pension for those aged 80 or over, Incapacity Benefit, Disability Living Allowance, Working Tax Benefit, Attendance Allowance

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