

The future of the welfare state: paths of social policy innovation between constraints and opportunities

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Striving for minimum social standards: Family benefits and indirect income support in Italy, Greece and Hungary

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Abstract

Over the last decades the struggle against poverty became a major issue at stake in European social agenda. Non categorical schemes of income support have been increasingly recognised as key means to fight poverty by providing adequate resources for those individuals or families whose income is inadequate for a decent life. As a result, minimum income schemes have been implemented in all EU member states with the exception of Italy, Hungary and Greece. Scope of the work is to provide a comparative analysis of cash transfers within the countries here examined. We aim at understanding to what extent in those countries indirect forms of income support – such as cash transfers to families – are currently replacing minimum income schemes for poor families.

In this paper we have first tried to comprehend how these countries deal with poverty reduction at domestic level in order to assess if the absence of income support programmes resulted in alternative strategies put in place to face increasing levels of social inequality. Afterwards, we investigate the role of categorical benefits in the EU member countries reluctant to introduce guarantees to minimum social standards in order to understand whether a trade-off between family benefits and minimum income schemes can be found. Therefore, we look at MISSOC and EUROSTAT data for analysing social benefits across Europe and among observed countries by comparing a number of key elements of these schemes such as transfer amounts and access requirements.

1. Introduction

Most social policy studies addressing welfare transformations in a comparative fashion mainly look at redistribution policy in observed countries from a regional perspective in order to detect similarities and differences within welfare “regimes” and among different typologies of welfare models. Therefore, welfare systems analysis are by and large based on their geographical or political proximity (Anglo-Saxon, Mediterranean, Nordic welfare models etc.), and countries are consequently clustered according to levels of social expenses, mechanisms of redistribution, generosity and coverage of welfare programmes. As a result, as part of the overall effort to understand the nature of welfare systems change, comparative social policy studies have increasingly analysed the domestic systems of redistribution through sector-based inquiries, providing in-depth descriptions and comparisons of pensions, social security, health care, social assistance and education systems.

To a large extent such descriptions frequently result in outlining convergence or divergence scenarios. One main argument suggested that international constraints and economic competitiveness at international level are increasingly driving all welfare systems to a similar “race to the bottom” , resulting in the progressive erosion of social protection standards. Residual, means-tested social assistance would stand as the last resort to the poorest. With regard to this last point, one should first note that the argument of a common inevitable trend to welfare retrenchment has been questioned and debated, and that it has gradually been replaced with new attention addressed to the analysis of the adaptive capacity of welfare systems heading to “positive” adjustments of domestic welfare programmes (Bonoli et al. 2001; Castles 2004).

Furthermore, the importance of universal means of support to guarantee minimum resources to individuals excluded from the labour market has been increasingly recognized and introduced, albeit only through soft law mechanisms, in the social agenda of the European Union. Minimum income schemes are seen by EU as key tools to promote integration and social cohesion, but they are acknowledged only as a part of a greater commitment to social inclusion strategies to be implemented at member state level.

In this work we have sought to go beyond welfare typologies differences and sectoral analyses by focusing on *exceptions* rather than divergent paths. We compare three countries according to their common resistance to adopt minimum income schemes. Among European member states, only Greece, Hungary and Italy have not yet introduced universal programmes of income support, even if the three countries deeply differ in their situation. How three different welfare systems deal with poverty according to domestic features represented the most challenging issue which led us to investigate further in this direction. The paper presented here summarises the first findings of our

inquiry and addresses a number of issues emerged during the first phase of research: How do these countries cope with increasing levels of poverty in the absence of a minimum income guarantee scheme? Are alternative strategies emerging to support specific categories of poor? What is the relation between categorical benefits and poverty? We tried to answer to this questions by investigating whether the countries examined resort to specific categorical social transfers (such as transfers to families) as indirect means of support to the poor. After a brief review on the diffusion of minimum income schemes across Europe, we look at the institutional contexts in order to understand whether and to what extent this negligence has been replaced by of the impact non contributory support and to analyse to what degree this differ among them.

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2. Social assistance renewed

One of the most debated issues in contemporary social policy studies concerns the extent to which the end of the welfare Golden Age introduced a complex process of transformation within social protection systems. A major direction of inquiry examines the re-adaptation of “mature” welfare states to a number of post-industrial social, demographic and economic transformations engendering new social risks and resulting in a new social demand.

With regard to the latter point, welfare state scholars has widely underlined how across the European region the progressive expansion of national social insurance systems, together with the overall progress in social and economic development, has acted at length as a crucial mechanism of social redistribution. By reducing social inequality, the combined effect of socio-economic development and social insurance programmes also gradually decreased the extent and the scope of local former actions of poor relief (Ferrera 2005a). Accordingly, during the second half of the 20th century, poverty became increasingly interpreted as a temporary phenomenon related to income drops affecting specific stages of the life cycle which could be prevented through overall means of social security (such as old age, sickness, disability and unemployment benefits). Scientific and political interest in anti poverty programmes therefore weakened in the light of an optimistic reliance in institutional and social safety nets. Social assistance became relegated to a residual role, increasingly conceived as a last resort net for the poorest and accordingly bound to selective targeting.

Over the last decades the comprehensive nature of social protection systems of most contemporary welfare systems changed. While poverty re-emerged as an important issue at stake even within richest countries, economic competitiveness and institutional frameworks of governance at supranational level frequently pressed for cuts in social spending or for welfare “recalibration”,

required to re-balance economic and social objectives according to new political agenda. (Ferrera, and Rhodes 2000; Ferrera and Hemerijck 2002).

After decades, advanced welfare states progressively found out that social “insecurity” came back, leaving both institutional and social safety nets inadequate to face emerging new typologies of social risks and to deal with growing social demand expressed by new categories of poor (such a lone parents, extended households, unskilled workers). Not only this gave new emphasis to the role of local systems of social assistance, but universal non-contributory and non-categorical forms of social protection emerged across the whole European region as more adequate means of social protection which can prevent extreme forms of poverty and social exclusion.

As the key role of an institutional form of safety net which is not bound to labour market participation and to specific social and economic conditions was increasingly acknowledged, the commitment of European Union in promoting the adoption of such measures has been progressively strengthened since the Lisbon Summit in 2000. As the establishment and the configuration of minimum income schemes vary greatly among countries, the European Commission recently recommended that all member states should “design and implement an integrated comprehensive strategy for the active inclusion of people excluded from the labour market combining adequate income support, inclusive labour markets and access to quality services” (Commission of the European Communities, 2008). Though minimum income schemes across Europe greatly differ in coverage and selectivity mechanisms, one can state that to date, only Greece, Hungary and Italy have not implemented, or have only in part completed, the introduction of *ad hoc* schemes of universal minimum income protection. Nonetheless, if we look at the overall definition of minimum income schemes, we can note that the boundaries between proper minimum income programmes and overall non contributory social transfers become less clear, raising interesting questions on the “function” of non contributory categorical social transfers as indirect income support measures. Minimum income schemes are overall classified as non contributory, non categorical subjective, measures guaranteed through an individual entitlement and aimed at providing sufficient resources to individuals (or households) whose income is insufficient to guarantee an adequate living standard. As we shall see, while the countries observed have no statutory national form of minimum income schemes, a number of categorical measures, as a matter of fact, have important characteristics in common with such schemes.

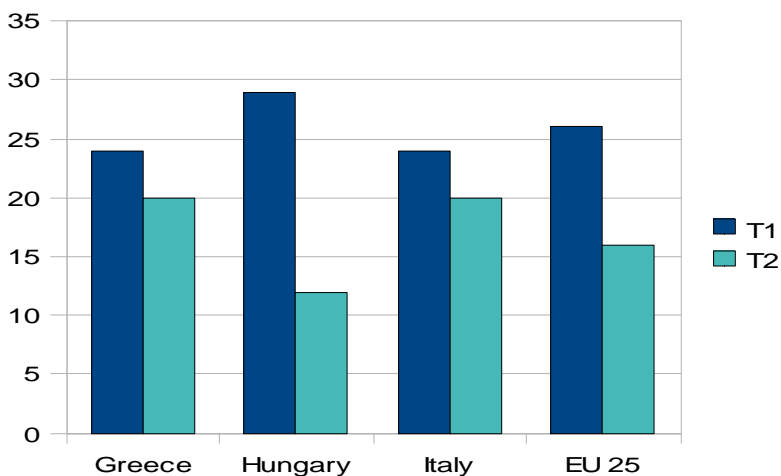
Before analysing the situation of each country here taken into consideration, it is important to stress that in this work geographical and regional boundaries are considered only as starting points of the analysis. Nonetheless, it is worth remembering that these countries have different traditions of welfare and social assistance patterns. While the soviet experience and the transitional phase to the market make the Hungarian case very different from the majority of western European welfare

systems, Greece and Italy also have peculiar characteristics, even if there is general agreement among most social policy scholars that they should be clustered together under the Mediterranean/Southern European welfare regime typology (Leibfried 2000; Rhodes et al. 1997; Matsaganis et al. 2005; Moreno 2006).

3. Categorical aid to the families: an indirect form of income support?

In the following paragraphs we summarize the first findings of our inquiry on the the role of categorical forms of assistance as indirect means of income support. Our thesis is that in the absence of minimum income schemes, the reduction of poverty risks¹ after social transfers within these countries (Figure 1.1) (and excluding pensions which are not taken into consideration as social transfers) should be an indirect effect of categorical forms of social protection. Therefore this section will first provide an overview of social transfer programmes in the three countries observed in order to understand whether non contributory forms of income support exist. Afterwards, we test the use of family transfer as indirect means of income support to the poor. We analyse cash child benefits, cash benefits for mothers and maternity benefits, looking at their eligibility criteria (mainly through the MISSOC database) and comparing the risk of poverty rates before and after social transfer by age group (EUROSTAT data)².

FIGURE 1.1 At risk of poverty rates before and after social transfers



Source: Authors' analysis from EUROSTAT data, 2007

¹ At-risk-of-poverty threshold is significantly different in UE. It is defined as 60 per cent of the median equivalised disposable income in cash. The comparison is restricted to the national level, there is still no single standard of reference. In these cases the threshold value is 4.959 euros in Hungary, 18.907 in Italy and 12.852 in Greece.

² We focus on direct cash benefits, but not on indirect ones. Analysing these elements requires a deep knowledge of general taxation systems and mechanisms (tax allowances, splitting and so on).

As mentioned above, a cross-sectional analysis of the domestic context of the countries here examined must take into consideration the progresses made in comparative social policy studies with regard to regional clustering analysis. This perspective have detected a number of common trends and similarities and helped outlining the main features of Nordic, Continental, Eastern and Southern European welfare systems typologies. Nonetheless, one should note that there is a long-standing tradition both in the institutional configuration of Scandinavian and Central European welfare systems and in the classification and speculation on their main characteristics.

Conversely, the identification of Eastern and Southern variants of welfare regimes (or “families”) is rather recent. To a greater degree, the development of Eastern and Southern welfare systems, especially in the social assistance realm, came with outstanding delay. Therefore, the resort to Eastern and Souther welfare typologies should be made together with a continuous glance at ongoing transformations of domestic institutional contexts.

3.1 Hungary

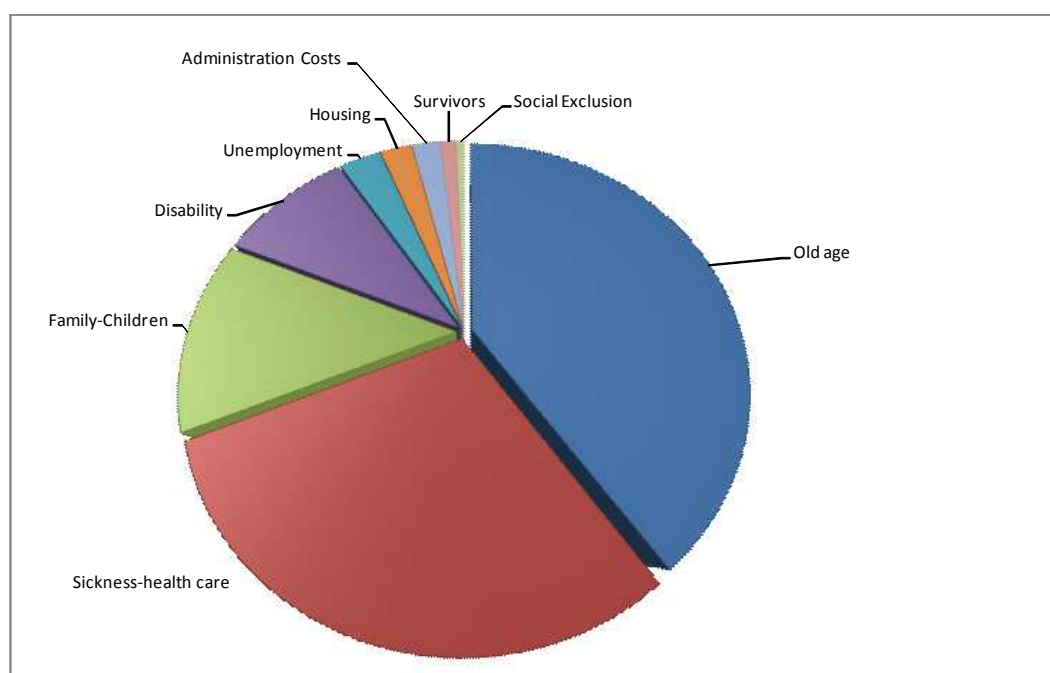
As a matter of fact, one could note that the more these countries keep building their own systems of social protection, the more their original dimensions of resemblance seem to be weakened by undertaken national paths of transformation. This is, for example, the case of Hungary. In the aftermath of the soviet dissolution, the political and economic transition fostered a wide range of interpretations on the prospective scenarios for the evolution of Central-Eastern European countries, leading to an intensive debate over the existence of a “post-soviet” or “transitional” typology of welfare (Deacon 1992; Standing 1996; Ferge 1997). Nonetheless, social policy investigation soon revealed that the shift to the market economy, the end of compulsory full employment and the overall transformation of former communist countries have changed in depth the nature of the “soviet model” and that out of this transformation came the most different outcomes across the region. As well as many other Eastern countries, Hungary first began to build its own anti-poverty schemes only after the transition, when the shift revealed the huge extent and spread of hidden unemployment and poverty. This is not to say that material deprivation was not experienced during communism. On the contrary, the communist socio-economic model, whereby labour market, social security and social protection sectors constituted elements of a comprehensive universal “welfare” system, has pursued the objective of a (formal) de-commodification of individual labour force, though it came together with the development of deep “bureaucratic inequality” among social strata (Standing 1996) and to the detriment of individual freedom of choice, due to the lack of individual rights (Cerami 2006). Poverty did exist, but it represented a social, political and ideological taboo during socialism (Tarkowska 2001) as communist governments could not acknowledge that the

comprehensive communist socio-economic system of redistribution could fail. As a result, the “culture of denial” helped to procrastinate (or to banish) proper scientific and political consideration towards anti-poverty measures. Moreover, being social protection linked to a universalised system of subsidized goods and services, Hungary had overall little experience with cash transfers and means-tested programmes, with the exception of a strongly stigmatising residual assistance addressed to “non workers”.

It is commonly assumed that a strong shift from universalism toward selectivity has affected all Eastern countries during the transition (van Oorschot 2002). As a matter of fact, as far as Hungary is concerned, this was not the case. To be sure, having a strong tradition of universalised social benefits, Hungary had to transform its own universalised system of social benefits, but, surprisingly, this change did not imply a direct tightening of eligibility criteria. The first, gradual approach to economic reform introduced during the first post-communist conservative government in 1990 procrastinated the political debate on the role of the new system of social redistribution. Core ethical principles of the system were put into question and the nature of the social contract between citizens and the state was transformed in depth but- as Kornai puts it- this occurred without a strategy (2008). As a consequence, the urgent issue of poverty was excluded from the social agenda and family benefits kept acting as major anti-poverty measures.

To date, Hungary has not implemented any minimum income support schemes but a number of universalised categorical measures to support specific socio-economic groups exist. Among these, family benefits still represent the most recurrent form of aid. Regular social benefits to guarantee a minimum standard of living are only provided by local municipalities to unemployed with working disabilities and whose family's income does not exceed the prevailing lowest pension amount (942 € in 2008). Family allowances during communism were by and large based on an individual entitlement linked to maternity. They were formally linked to individual participation to the labour market but the forced full employment made them substantially universal in coverage. A brief experience of means-testing family allowances was introduced with the Bokros Plan in 1996. The introduction of selectivity criteria, aimed at a better targeting of poor families, met strong opposition among the population and was soon replaced with a renewed universalised system of family benefits by the following government coalition in 1998 (Haney 2002). Today, family benefits in Hungary are universal, non means-tested social transfers granted to the whole citizenship. Long term residents, migrant workers and refugees are eligible. EUROSTAT data for Hungary show that (excluding old age and sickness benefits) the highest expenditure, as percentage of both total benefits and total expenditure, goes to family and children aid (figure 1.2).

FIGURE 1.2 Social protection expenditure in Hungary by function as percentage of total benefits

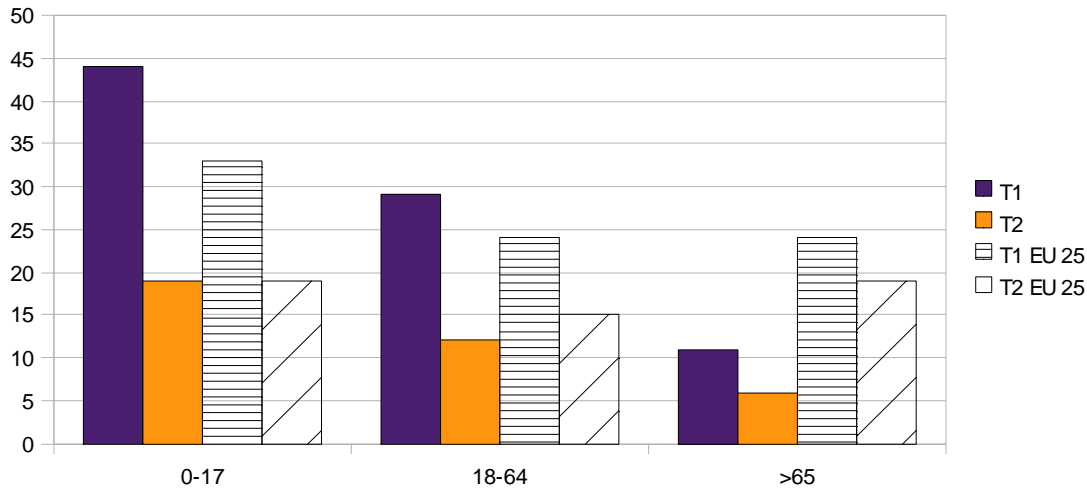


Source: Authors' analysis from EUROSTAT data, 2006

These values are far above the EU 25 average and nearly doubles the Greek and Italian averages, confirming an outstanding tradition with regard to family policy.

Family allowances in Hungary are institutionalised in a very structured way. They are monthly cash transfers paid to families from the birth of the child until 23 years (since 2005, for children studying in public education). Benefits amounts progressively increase according to the number of children in family (but increased amount is calculated up to three children) and to household type (namely single parent households and families with invalid children) but are not bound to family income levels. The child home care allowance (GYES) is monthly paid to parents who care for a child until the third year of age. It is addressed to non-insured parents, has no eligibility restriction and allows full-time working of the parents after the first year. A further kind of child benefits was provided to families in need (regular child protection allowance) but in 2006 this benefit “dissolves” into the family allowance (OECD Benefits and Wages 2007). Irregular child protection support exist, but its amount depend on each local government's regulation. If we test the impact of social transfers by analysing poverty risk rates before and after social transfers, we can have a dimension of the overall role of family and children benefits as means of poverty reduction. As for the reduction of poverty risks after social transfers by age group, Hungary shows the highest reduction rates for children among all the age groups (figure 1.3).

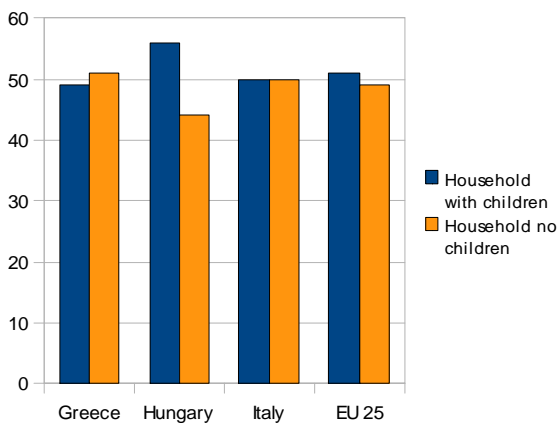
FIGURE 1.3 – At risk of poverty rates in Hungary before and after social transfers by age group



Source: Authors' analysis from EUROSTAT data, 2007

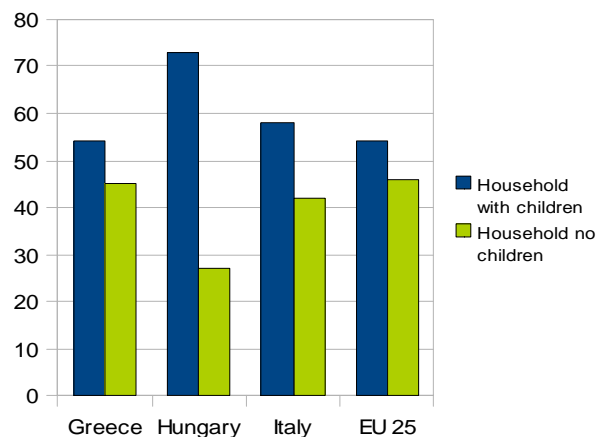
Not only the reduction of poverty risks for children (age group 0-17 years) is the most effective among all transfers (minus 25 percentage points), but the effect of these transfers is the strongest among all European countries (EUROSTAT, 2007). Nonetheless, one may think that the great commitment to family policy in Hungary stems from the composition of household distribution. Surprisingly, the Hungarian values on the distribution of household with dependent children are not high as one may assume or, at least, they do not explain alone the strong presence of family transfer in the Hungarian system. They rank only little above the EU 25 average (figure 1.4) and are far lower of many other European countries. As a matter of fact, the distribution of families among the poor provides far more interesting suggestions (figure 1.5). Among the whole at risk of poverty population, households with dependent children are overrepresented, as they are a common characteristic of the 73% of poor.

FIGURE 1.4 Distribution of Hungarian households among total population



Source: Authors' analysis from EUROSTAT data, 2007

FIGURE 1.5 Distribution of Hungarian households among at risk of poverty population



Source: Authors' analysis from EUROSTAT data, 2007

This is not to say that family policy in Hungary are generous because of the great representation of families among the poor population. Nonetheless, if one assume that an outstanding part of the poverty reduction rates in families with children is mainly composed by family and children benefit and only to a small degree by other typologies of cash transfers (such as pensions), we can conclude that social transfers to families and children are used as an outstanding non contributory categorical indirect means to lift people of out poverty in Hungary. Their impact in the reduction of poverty risk must be acknowledged, even if the eligibility of middle and upper classes to receive family aid for children which comes with the universal coverage is increasingly becoming a major issue at stake in political debates. As it is underlined, this system include upper classes but it fails in providing means to come out of poverty to different categories of poor such as Roma people (who still suffer for a strong discrimination in receiving support) and extended households with more of three children (which cannot benefit from increasing amounts of monthly benefits).

3.2 Italy

In Italy, the social protection system has never taken a major and organic character. To date, it is characterized by sectoral measures, based on “passive” income support programmes. They can be ascribed to succeeding rules, often based on an *repair-care* approach, linked to a social control and public order rather than to the removal of a need condition.

According to the latest Istat data (July 2009) on social protection expenditure³, in 2008 only 24,7% of the public administration’s expenditure to assistance is assigned to services or benefits in kind. The remaining 75,3% is goes to cash benefits, and 60,5% of it (45,5% of social protection expenditure) is absorbed by civil invalidity pensions (*pensioni di inabilità civile*)⁴. These data confirm, once again, the residual role assigned to social assistance whereas social expenditure is mainly absorbed by the costs of retirement and health system, and in contexts whereby monetary transfers are widely used in an improper way (Pellegrini, 2006).

In the absence of an organic system of anti poverty policy, many of the social protection and income support means addressed to certain categories, such as the elderly and disabled, may be regarded as indirect instruments of income support (CIES 2000). Consider, for example, civil

³ They are conform to European System of Integrated Social Protection Statistics SESPROS96 and European System of Accounts SEC95.

⁴ The pension belongs to employees and self suffering from physical or mental infirmity that may claim an old insurance and charges amounted to 5 years of insurance (260 weekly contributions), of which at least 3 years (156 weeks) paid in the five years preceding benefit application.

invalidity pensions (pensioni di inabilità civile), care allowance⁵ (indennità di accompagnamento) or assegno sociale⁶.

As Filippo Pizzolato (2004) notes: *the tools now available in Italy are particularistic because they fragment poverty status related to other individual or social characteristics (health, age, family composition, etc..). While there is no institution that accompany poverty and protect the different situations which may arise and, precisely for this reason, it appears universalistic.*

The first attempt at establishing in Italy a minimum income scheme universally guaranteed is the Minimum Insertion Income (RMI), introduced on an experimental⁷ basis in some areas as a measure to support economic and social rehabilitation.

However, the experiment was abruptly interrupted with the announcement of the then Welfare Minister Roberto Maroni of the introduction of a new measure called *Income of last resort*⁸ (*Reddito di Ultima Istanza*). As a matter of fact, this will never be implemented.

To date, there is neither a national minimum income scheme nor a rule that obliges Regions to implement it in a decentralized manner, as it happens in Spain⁹. In this situation, Regions adopted independent measures which assume different names and special features according to each local context, such as *Reddito di Cittadinanza*¹⁰, introduced by Campania and still in progress, or similar measures implemented in Rovigo (r.l. 1294/04), Sicily (r.l. 5 / 05), Basilicata (r.l. 3 / 05), Sardinia (r.l. 23/2005), Friuli Venezia Giulia (r.l. 28/06), and Lazio (r.l. 4 / 09).

As a result, there is a high degree of discretionary power both at regional and municipal level: people obtain benefits that vary considerably from place to place and that do not depend on the need, but on the place of residence of the beneficiary (Sacchi 2003). Moreover these measures, whereas they exist, are not recognized as individual rights because they depend on the resources of local authorities (Ferrera 2005).

⁵ The grant is given to individuals unable to walk or take care of themselves, who need continuous care and are not admitted free of charge at public hospitals for more than a month.

⁶ It is a social service nature of care given to Italian citizens with at least 65 years of age, who reside permanently in Italy and who have incomes below the limits set by law. Since 1 January 1996 the assegno sociale has replaced the social pension, which continues to be provided to those who, having the requirements, have applied before December 31 1995.

⁷ As pointed out by Boeri and Perotti (2002), the experimental nature of the income was administrative - organizational: it is not intended to estimate the effects (it was assumed that the measure was effective and necessary) but rather to ascertain what, operatively, the problems encountered by local government in providing the measure, manage the programs of inclusion and combat fraud.

⁸ References to this measure are found in the "Pact for Italy" (signed by the Government and trade unions, the CGIL excluded) in the 2004 Budget and White Paper on welfare (Ministry of Labor and Social Affairs 2003).

⁹ In Spain a national law stipulates the autonomous regions' responsibility to set in place such a scheme, but schemes vary from a high degree of regulation and institutionalization to a high degree of discretionality. It is not very different from the Italian situation, although things are in a continuous process of change and there is a kind of virtuous competition between regions (Arriba and Moreno 2005).

¹⁰ Introduced by Regional Law n. 2/2004, on an experimental basis for the period 2004-2006, the Income of Citizenship was launched nearly two years late.

As We said, it is possible to identify some national policies, included in the fragmented landscape of social protection policies, such as indirect tools against poverty.

They draw a many-sided system, that is composed in most cases by insurance instruments, which are related to the beneficiary's individual contribution, but are often based on care principles (CIES 2000).

They comprise monetary transfers to support family responsibilities, such as the *family allowance*, the *allowance for households with at least three children* and *maternity allowance*. In addition, there are some measures specifically meant for elder people with low incomes, such as *assegno sociale*¹¹ and *minimum pension supplement*¹². These measures are addressed to certain categories of people, which often overlap the low-income recipients. They are based on means test and refer to different criteria of selectivity. One exception is the allowance known as *accompagnamento*, subject to a medical assessment of the physical conditions of the applicant, without any means test.

For almost all income support transfers “income thresholds” above which the risk of poverty shall be considered removed are set. In some cases, especially in the most recent ones, such as *maternity allowance*¹³ (*assegno di maternità*) and *large family benefits* (targeted at families with three or more children), the application of these income thresholds is achieved through the use of equivalence scales that allow you to vary the threshold according to the number and/or the characteristics of the household¹⁴

As pointed out by Saraceno (2003) monitoring of *maternity allowance* indicates that it is actually directed to the poorest families, even if it can not change the incidence of poverty among them.

Aside from these occasional transfers, there are periodical transfers such as the *family allowances*. They are monthly transfers, directly related to the family size and inversely related to the family income. Many studies have shown *irrationality* of their implied equivalence scales and their functioning (Toso 2000): small gaps around threshold can produce many different treatments, although they don't produce notable differences in the income classes (Saraceno, 2003).

¹¹ Assegno sociale is a kind of cash benefit paid to Italian citizens with at least 65 years of age who reside permanently in Italy and who have incomes below the limits set by law. Since 1 January 1996 the social check has replaced the social pension, which continues to be provided to those who, having the requirements, have applied before December 31 1995

¹² It is a monetary integration, paid to the pensioner if the contributions are insufficient to ensure the minimum amount established from year to year by law for the retirement pension. Law n.335 of 1995 exclude that applies even to the benefit of the minimum pension in the case of pension contributions. Who began working for the first time since December 31 1995 may not have the minimum pension as the pension is related to contributions, without any integration (source: www.inps.it).

¹³ *Assegno di maternità*, introduced in 1999, is a cash transfer which amounts to 80% of the general daily average wage received during the last months of work. It is provided for births or adoption and it is paid for five months for each child.

¹⁴ These measures take account of the equivalence scale of the ISE – Indicatore della situazione economica, introduced in 1998 and covered in a final way in 2000 as a new set of rules to determine the means of the potential claimants, based on both income and assets.

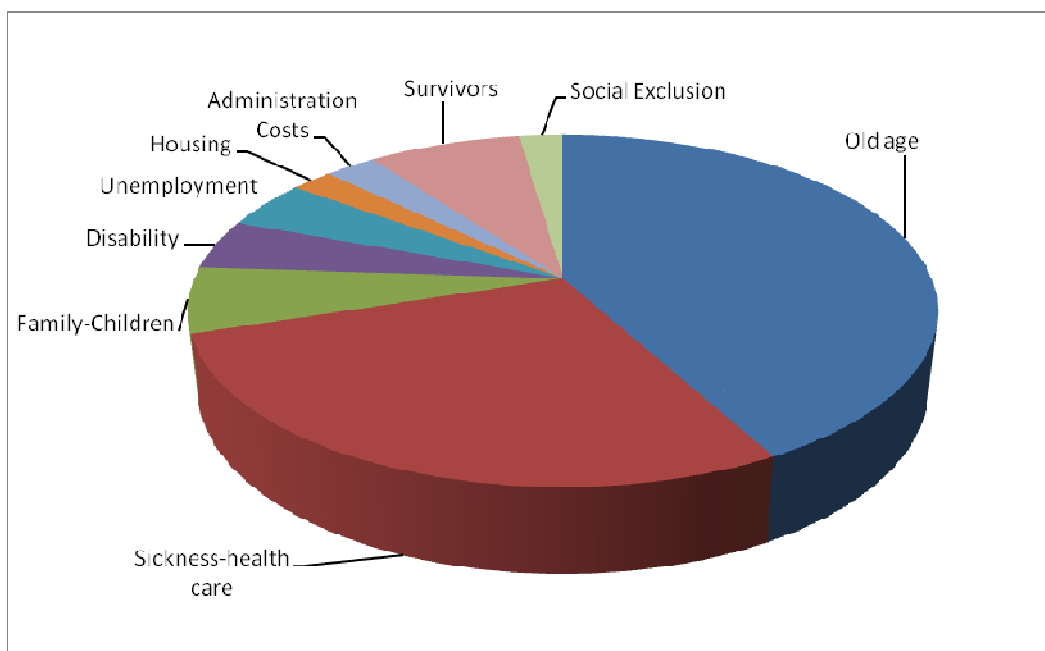
Overall, these interventions are specifically addressed to families of employees and, since 1998, to coordinated and continuous collaborators and professionals.

In this way they are likely to exclude families that are most exposed to poverty risk, those one where income work is totally absent, seriously inadequate or temporary.

The structure of transfers leaves a large number of children in low-income families exposed to poverty. The fragmentation of contributory allowances along occupational lines adds quite an exceptional element of regressivity in the allocation of family transfers. The only scheme providing universal support to children is the income tax credit for dependent children. Since 2001, the tax credit rises with the number and age of children, while it moderately decreases beyond a certain level of taxable income (Tsakoglou and Mitrakos 2006).

However, social transfers to families fill a residual rule in social expenditure, representing only the 4.5% of total benefits and 4.3% of total expenditure, although EUROSTAT data (2006) show that (excluding old age, sickness and survivors benefits) the highest expenditure goes to family and children aid (FIGURE 1.6).

FIGURE 1.6 Social protection expenditure in Italy by function as percentage of total benefits

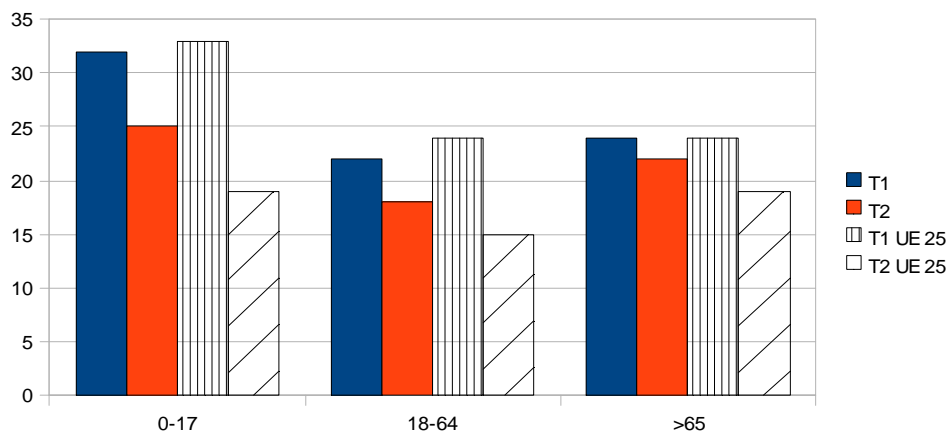


Source: Authors' analysis from EUROSTAT data, 2006

After transfer, risk of poverty reduce itself by only seven point percentage. This value is about the lowest in Europe: the situation appears even more critical when one considers that poverty risk is significantly higher with families that included children (FIGURE 1.5). As a result, cash benefits aimed at families and children are likely to fail also with employees.

However, risks of poverty rates reduction after social transfers, for children (age group 0-17 years), it is the most effective among all transfers (FIGURE 1.7).

FIGURE 1.7 – At risk of poverty rates in Italy before and after social transfers by age group



Source: Authors' analysis from EUROSTAT data, 2007

Although the limitations already highlighted, compared to other typologies of targeted transfers, these benefits are used against poverty to a greater degree. However, to date, they do not appear to be the main indirect tool against poverty, whose persistence is continuously fostered by fragmented actions that favour elderly and sickness or survivors.

3.3 Greece

As far as Greece is concerned, most descriptions and classifications of its welfare system have been at length bound to its definition as a “laggard”, having it only recently undertaken a transformation of its traditional “rudimentary” architecture of social protection (Leibfried 1992; Petmesidou 1996). Exemplary model of the Southern variant of the welfare regimes (Symeonidu 1997), the Greek model share with Italy the prevalence of fragmented, particularistic, clientelistic and familistic dimensions in its own system of social redistribution. In both Italy and Greece, moreover, there is a long tradition of disproportionate social protection addressed to old age and an overall prevailing use of cash transfers which came to the detriment of the development of an adequate system of social services.

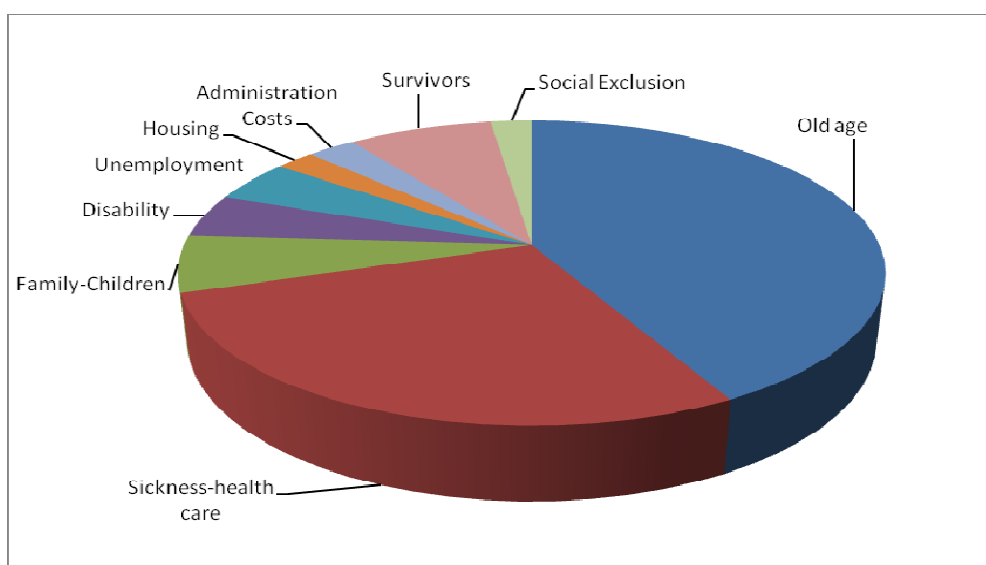
As regards these two points, it is worth underlining that, as far as Greece is concerned, neither old age protection succeed in preventing poverty among pensioners (on the contrary, as it will be showed, they represent one of the most poor category) nor the wide resort to cash transfers has encouraged so far the implementation of a comprehensive system of universalised benefits.

This feature of the Greek welfare system is frequently explained by stressing that the delayed construction of a modern welfare system due to the dictatorship experience, the late industrialisation, a strong institutional reliance on extended family social safety nets, the recurrent resort to social insurance schemes have all contributed to a weak development of anti-poverty and social welfare programmes (Matsaganis et al. 2003; Moreno 2006). As well as in Eastern transition

countries, the prevailing idea that after the restoration of democracy the economic growth would have fostered and spread socio-economic development and -as a direct consequence- a deep reduction of poverty and social inequalities, has been gradually questioned in Greece. In spite of a sharp increase in social expenditure occurred since the 1980s, the main rationale for social protection remains linked to a corporative approach and family solidarity increasingly has proved to be insufficient to replace the absence of adequate institutional safety nets (Tsakloglou and Mitrakos 2006).

Thus it comes as no surprise not only the fact that Greece lacks measures to guarantee minimum resources to its citizens, but also the overall vacuum of political debate regarding the prospective introduction of such measures in the light of the EU recent recommendations. Social assistance has a very marginal role and no proper scheme exists. Nonetheless, different non contributory cash transfers are paid to specific categories, even if they are provided in a fragmented way by different agencies. Moreover, being income maintenance strongly related to the individual participation to the labour market, non social insured programmes are still underdeveloped, and the non eligibility of many poor engenders strong cleavages among occupational categories, as reported by Matsaganis (2004). A major part of social benefits, as showed by Figure 1.8, is addressed to family and children social benefits. We can also note that the amount of social spending for social exclusion expenditure, as percentage of total expenditure, is not negligible. These benefits are mainly financial benefits which support extreme forms of poverty due to specific conditions (invalidity, uninsured maternity and old age etc). As for family allowances and child benefit, this is exactly the case as occupational cleavages marks outstanding differences among the beneficiaries.

FIGURE 1.8 Social protection expenditure in Greece by function as percentage of total benefits



Source: Authors' analysis from EUROSTAT data, 2006

Family benefits in Greece are mainly either contributory or means-tested measures. Main differences among cash transfers concern the amount of the benefits, which is determined according to the professional status of the parent receiving the benefit. Lower levels of benefits are provided to employees of the private sector while benefits are more generous for public sector employees, especially when both parents work in the public sector. Further differences occur with regard to the occupational sector, as child benefits regulation depends on collective agreements.

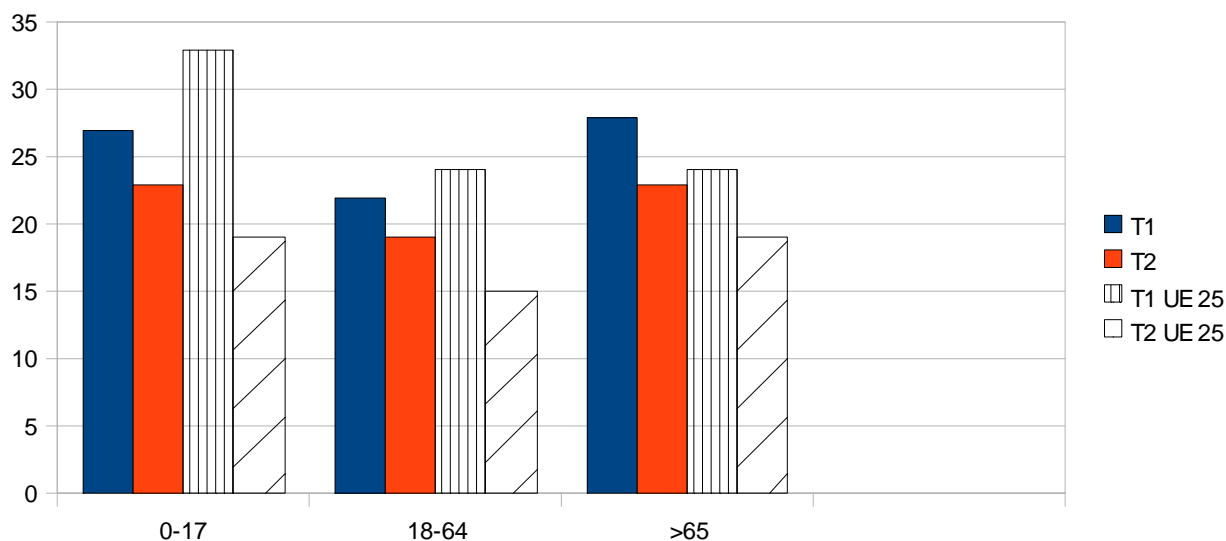
Uncovered private sector workers and unemployed can benefit from the DLOEM child benefit¹⁵. This scheme is not subject to income test and it is provided until the age of 18 years (22 years if the child is involved in higher education studies). Cash transfers are paid to employees or unemployed who can prove 50 days of work prior to the claim. The monthly benefit amount is paltry: from 8,22 € for one child families up to 67,38€ for a family with 4 children (with increased amount of 11.30 € for each following child). Nonetheless, this measure is widely used, representing the most recurrent among all family benefits (Corak et al 2005).

Other non contributory (but related to occupational position) benefits to families exist, whose eligibility depends on the dimension of the household. These are known as “many children benefits” and consist of life time *pensions for mothers of many children*, the *large family benefit*, and the *Third child benefit*. They are transfers targeted towards families with three children and founded out general taxation and delivered by Ministry of Health and Welfare via the offices of the Organisation of Farmers’ Insurance (OGA). In addition, there is another non-contributory benefit aimed at low income single parent, called *unprotected child benefit*, but its amount is very low.

The analyses on the reduction of the poverty risks after social transfers for Hungary and Italy presented above have shown that the main performance of social transfers as indirect measures of income support occurs in the children group. Within those countries, notwithstanding, that age group is also the most affected by the poverty risk before social transfers. As for Greece, this is not the case. As Figure 1.9 shows, the most hit by poverty risks are individuals with more than 65 years.

¹⁵“Account for the distribution of family allowances for employees”

FIGURE 1.9 – At risk of poverty rates in Italy before and after social transfers by age group



Source: Authors' analysis from EUROSTAT data, 2006

Before transfers poverty for children is the lowest among the three countries examined. Nonetheless, social transfers succeed in reducing the poverty risk only to a very small degree (minus 4 percentage points). Considering that families with two children are the most recurrent typology of household among Greek poor, (data from EUROSTAT 2007), we can suggest that an indirect interesting effects of the overall system of family benefits occur. The main implication is that poor children in smaller families receive little or no assistance. Both the differences between public and private sector benefits and the increased non contributory transfers which goes to extended families affect their capacity of acting as a tool to reduce poverty. This can be explained as an indirect effect of the fragmentation of the Greek system of social protection which is also the result of an incomplete process of transformation which aimed at introducing selectivity for a more adequate targeting of people in need but that, to date, has made little progress in this direction.

Conclusions

The first phase of our inquiry aimed at understanding how Hungary, Greece and Italy cope with the issue of poverty reduction without the resort to specific universal schemes of income support. A number of issues which have emerged from our investigation encourage to undertake further analyses. For example, one should take into consideration that guaranteed minimum income schemes, albeit widely diffused in Europe, are a quite novel measure used to cope with poverty. What is commonly defined today as an indirect form of income support was the norm during the

last decades as the social insurance objective was creating a safety net for families so that income drops during the life cycle did not engender extreme forms of deprivation. This is not to say that the systems examined are good performers in reducing poverty. Conversely, Hungary is the only country among the three examined to show an outstanding reduction of the risk of poverty after social transfers. It is also the only country which seems to offer a positive answer to our initial question: Is there a relation between generous family social transfers and the absence of minimum income schemes? While the Hungarian family benefits system provide a far more generous and adequate safety net, it is also true that its initial condition (higher poverty rates among households with children and wide diffusion of households with children among the poor) suggest to investigate further in order to understand whether this universalised system comes to the detriment of lower classes and Roma families, outlining strong class and ethnic cleavages. As for hybrid situation of Italy, it can be noted that, even if benefits to families with children act has the best impact on the reduction of poverty, this comes only to a small degree and their role is not clear. Other forms of non contributory social transfers, such as those addressed to survivors, still seem to have a more outstanding role as a substitute for anti-poverty policies. Eventually, the Greek fragmented system of family benefits, while nearly providing a universal coverage of child allowances, still suffer from occupational cleavages which nullify any effort to build universalised social citizenship. It goes without saying that there are far more disadvantages in establishing a universal system of family coverage for countries with a strong tradition of neglected and residual social assistance such as the three countries examined here. With regard to this latter point, to conclude, we can stress two interesting outcomes.

First, Greece and Italy seem still bound to a strong dimension characterising the Southern European welfare state which is -as Leibsfried (2000) emphasised- *“the legal, institutional and social implementation which seems to be lacking in the 'Latin Rim', the welfare state of institutionalised promise”*. Nonetheless, the unexpected differences which come with the Hungarian universal institutionalised system must be stressed as important starting points to analyse further whether universal schemes of social protection are necessarily linked to a fair model of social justice. Accordingly, our future efforts will be addressed to deepen the understanding of these first findings. These findings suggest us to examine the realm of indirect transfers, such as tax credits and tax allowances, not taken into consideration here, in order to have a comprehensive comparative perspective on “alternative” indirect income support schemes which can allow a clearer definition of these models.

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