STUDY

Requested by the EMPL committee

European Parliament

Fighting poverty and social exclusion

Including through minimum income schemes

Policy Department for Economic, Scientific and Quality of Life Policies
Directorate-General for Internal Policies
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PE 662.932 - June 2021

EN

Fighting poverty and social exclusion

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Abstract

The study pursues two main aims. Firstly, it addresses the issue of poverty and social exclusion from a theoretical perspective – assessing the relevant concepts – and an empirical perspective – discussing the limitations of different indicators and data with reference to EU countries. Secondly, it focuses on national and EU-level policies dealing with poverty and social exclusion, in particular, on minimum income schemes, presenting 6 country case studies and evaluating the feasibility of an EU minimum income framework.

This document was provided by the Policy Department for Economic, Scientific and Quality of Life Policies at the request of the committee on Employment and Social Affairs (EMPL).

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Original: EN

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Manuscript completed: June 2021
Date of publication: July 2021

This document is available on the internet at:
http://www.europarl.europa.eu/supporting-analyses

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For citation purposes, the publication should be referenced as: Raitano, M. et al., 2021, *Fighting poverty and social exclusion*. Publication for the committee on Employment and Social Affairs, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, Luxembourg.

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LIST OF ABBREVIATIONS

AD-SILC	Administrative Statistics on Income and Living Conditions
ALMPs	Active labour market policies
AROP	At risk of poverty
AROPE	At risk of poverty or social exclusion
CAPI	Computer-assisted Personal Interview
CATI	Computer-assisted Telephone Interview
CAWI	Computer-assisted Web Interview
COVID-19	Coronavirus Disease 2019
EAPN	European Anti-Poverty Network
EC	European Commission
ECEC	Early Childhood Education and Care
ECR	European Conservatives and Reformists
EEA	European Economic Area
EFTA	European Free Trade Association
EGF	European Globalisation Adjustment Fund
EMIN	European Minimum Income Network
EP	European Parliament
EPP	Group of the European People's Party (Christian Democrats)
EPSCO	Employment, Social Policy, Health and Consumer Affairs
EPSR	European Pillar of Social Rights
EPSU	European Federation of Public Service Unions
ESF	European Social Fund
ESSPROS	European System of Integrated Social Protection Statistics

ETUC	European Trade Union Confederation
EU	European Union
EUMIDIS	European Minority and Discrimination Survey
EUROMOD	Tax-benefit microsimulation model for the European Union and UK
EU-SILC	European Union Statistics on Income and Living Conditions
FEAD	Fund for European Aid to the Most Deprived
FRA	Fundamental Rights Agency
GDP	Gross Domestic Product
GSOEP	German Socioeconomic Panel
GUE/NGL	European United Left – Nordic Green Left
HBS	Household Budget Survey
HICP	Harmonised Index of Consumer Prices
IMV	Vital Minimum Income (*Ingreso Mínimo Vital*)
INPS	National Social Security Institute *(Istituto Nazionale della Previdenza Sociale)*
ISEE	Indicator of Equivalised Economic Conditions
ISTAT	Italian Institute of Statistics
IWP	In-work poverty
LIS	Luxembourg Income Study
LWI	Low Work Intensity
MI	Minimum Income
MIS	Minimum Income Schemes
MISSOC	Mutual Information System on Social Protection
MS	Member States
MSD	Material and Social Deprivation

MW	Minimum Wage
NASPI	New Social Insurance Provision for Employment *(Nuova assicurazione sociale per l'impiego)*
NGEU	Next Generation European Union
NGOs	Non-Governmental Organisations
NRIS	National Roma Inclusion Strategies
OECD	Organisation for Economic Cooperation and Development
OMC	Open Method of Coordination
PAPI	Pen-and-Paper Personal Interview
PASS	Panel Study Labour Market and Social Security
PES	Public Employment Services
PINI	Individual Insertion Programmes
PPPs	Purchasing Power Parities
PPS	Purchasing Power Standard
RdC	Citizenship Income *(Reddito di Cittadinanza)*
REI	Inclusion Income
REM	Emergency Income *(Reddito di Emergenza)*
RMIS	Regional Minimum Income Schemes
RRF	Recovery and Resilience Facility
SA	Social Assistance
SB	Subsistence Benefit
SC	Social Card
S&D	Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
SDGs	Sustainable Development Goals

SGBII	Social Code *(Sozialgesetzbuch)*, Book II
SIA	Active Inclusion Support
SMD	Severe Material Deprivation
SOCR	Social Benefit Recipients Database
SP	Social Platform
TFEU	Treaty on the Functioning of the European Union
TU	Trade Unions
UA	Unemployment Assistance
UB	Unemployment Benefit
UI	Unemployment Insurance
UN	United Nations
UNICEF	United Nations Children's Fund
US	United States

EXECUTIVE SUMMARY

Background

Despite positive developments over the last few years, almost 91.4 million EU citizens, including 69.4 million in the euro area, were still at risk of poverty or social exclusion in 2019, and these numbers are expected to be increased by the COVID-19 crisis. In this context, the European Parliament resolution of 24 October 2017 calls on all Member States to introduce adequate minimum income schemes, highlighting the role of minimum income protection as a tool for fighting poverty. In its resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences, the Parliament also called for a comprehensive anti-poverty strategy, with a European Child Guarantee.

Aim

The aim of this study is to analyse the situation in the EU as regards poverty and social exclusion and to explore the solutions currently debated for mitigating the risk of existing and increasing poverty and social exclusion, in particular through adequate standards of minimum income.

The study addresses these issues in two main sections. Firstly, it analyses the issue of poverty and social exclusion from a theoretical perspective – assessing the relevant concepts – and an empirical perspective – discussing the limitations of different indicators and data with reference to EU countries. Secondly, it focuses on national and EU-level policies dealing with poverty and social exclusion, in particular, on minimum income schemes, presenting 6 country case studies and evaluating the feasibility of an EU minimum income framework.

Key Findings

Poverty and social exclusion are multifaceted concepts; thus no single policy is sufficient to fight against them. Consistently, both predistributive measures – affecting market outcomes and individuals' endowments of crucial skills – and pure redistributive measures (mostly minimum incomes) are needed for an effective anti-poverty strategy. However, the definition of anti-poverty measures also depends on the poverty concept adopted by policymakers. To this aim, a battery of indicators capturing the various concepts of poverty should be needed instead of focusing on a single concept only (e.g. on a relative concept based on national incomes).

Effective anti-poverty measures should then be matched with the availability of good data, both from administrative and survey sources, allowing researchers, stakeholders and policymakers to effectively monitor the various multifaceted components of inequality and poverty.

The concept of poverty may be declined based on several methodological choices, concerning, e.g., the definition of the poverty line, the dimensions to be considered to capture a poverty status, as well as the proxy of the living standards chosen. No clear-cut indications emerge however from the theoretical and empirical literature about the best methodologies to apply when conceptualising and measuring poverty and social exclusion.

Although the EU Commission has defined official poverty and social exclusion indicators, EU Members often adopt their own (more or less implicit) poverty definitions when implementing national minimum income schemes (MIS), thus complicating EU-wide comparisons. These (implicit) poverty definitions often turn out to be more strict than the AROP definition across EU-27 countries because of various reasons (e.g. age and residence requirements, means-testing conditions relating to household wealth). This stricter definition affects the coverage and adequacy of MIS.

The population at risk of poverty in EU-27 countries is clearly expected to grow due to the COVID-19 outbreak. Nevertheless, the literature still lacks clear evidence of the (actual) effects determined by the pandemic on the spread of poverty and social exclusion in the EU because of data limits when observing changing patterns of income distribution in real time.

However, cross-country rankings in poverty indicators and, mostly, the groups of individuals which are defined as poor within each country, change when different poverty concepts or indicators are used or different methodological choices about how to measure poverty are made. This evidence calls for great attention to and transparency about the rules followed by researchers and, above all, by policymakers, when defining groups of people in need and establishing the means-testing conditions for being eligible for social benefits and minimum income.

In particular, entitlement conditions in MIS (i.e. the coverage) and the amount of the benefit package have to be carefully assessed in order to assess the capacity of MIS to protect against poverty and to evaluate the intersection between individuals' eligibility for MIS and poverty status. Simple computations show that the overlap between the most widely used poverty concepts and the entitlement to MIS is far from perfect. Apart from data limits, this might be due to the use of national criteria other than those followed in the EU definition of poverty to identify people most in need, or to the high non-take-up rates of social benefits among potentially eligible people.

The analysis of the six counties selected for this report – Denmark, Estonia, Germany, Hungary Italy, Spain – reveals substantial variation of MIS along the main dimensions: a) policy trajectory; b) institutional features of national MIS; c) MIS outcomes. For policy trajectories, this study shows that MIS have not become more relevant policy programmes in all countries in the last two decades. With regard to MIS institutional features (eligibility conditions, benefit amount and duration, activation and conditionality requirements), there are major variations regarding the three key dimensions of i) accessibility; ii) adequacy; iii) enabling character of MIS. As concerns the relationship between MIS, activation and especially work participation – which is extremely relevant in the light of increasing in-work poverty rates in several European countries – there are substantial cross-country differences both in the possibilities offered of combining MIS and work and especially – where such combinations are allowed – possible incentives to reintegrate formal paid employment. Outcomes – expenditure (% of GDP) and coverage (% of total population) – also vary remarkably with the six selected countries being placed along a continuum from the most expensive and inclusive MIS (Germany) to the least (Hungary). Denmark and Italy are not far from the former, Estonia is close to the latter, whereas for Spain the figures related to the recently established *Ingreso Mínimo Vital* (IMV) are not available yet.

Since the mid-2010s, a number of factors have favoured stronger mobilisation towards an EU-level MIS amongst stakeholders at the supranational level, primarily European social NGOs and trade unions (TU). During the 2020 pandemic, it also appeared that political dynamics might eventually materialise both among European institutions and across EU Member States. In 2020, relevant stakeholders also mobilised and a relatively united front emerged. However, by mid-2021, momentum for the adoption of a binding EU framework in the field of MIS seems to have stalled. Policy development ultimately rests on political conditions and incentives.

Nevertheless, as to the nature of future EU actions in the field, both social NGOs and TU agree that it should be a binding legal framework in the form of a Directive. In this regard, it is of utmost importance to consider the assessment of the Europe 2020 performance in the field of poverty and social exclusion not merely in terms of outcomes and related key indicators, but also with regard to procedural effects. In this context, the availability and conditional provision of the EU's financial resources may help national governments to deliver on poverty, with particular reference to the establishment/development of key social and activation services attached to anti-poverty and

minimum income programmes.

The integration of anti-poverty and economic-financial policies within the same overarching EU strategy and governance framework might allow various actors at different levels of government to exploit such a framework, calling for stronger consideration of the social consequences of (macro)economic and financial policies.

In the context of Next Generation EU (NGEU), the EU's actions aiming to strengthen minimum income protection and promoting upward convergence across MS should make effective usage of the "hybrid governance" mechanisms implied by the existence of an EU target on poverty to be reached by 2030, as well as the governance architecture of the European Semester and the substantial resources provided by the Recovery and Resilience Facility.

INTRODUCTION

The study was commissioned by the European Parliament, Directorate-General for Internal Policies of the Union, Policy Department for Economic, Scientific and Quality of Life Policies (the EP) from Fondazione Giacomo Brodolini SRL SB (FGB).

The study is structured into two main sections addressing the key questions of the study, with a conclusive chapter proposing recommendations. The first part discusses the current poverty and social exclusion context in Member States according to a twofold perspective.

First, Chapter 1 sets the scene about the phenomena investigated in the report. In particular, a critical assessment of the main relevant concepts is proposed (e.g. relative and absolute poverty, income inequality, social exclusion, vulnerability), touching on the main issues linked to the measurement, strengths and limitations of the different indicators, also in the light of the availability of sound and consistent data. There are also issues regarding the availability of timely data to analyse the impact of the COVID-19 crisis, and the availability and cross-country comparability of proper data – with an adequate sample size – to study the extent and the characteristics of poverty and social exclusion within specific subgroups of the population (e.g. migrants, homeless, Roma, persons living in institutions). These issues are particularly relevant when taking into account how the various dimensions exposing individuals to higher risks interact with each other (e.g., gender, low education, migration status, disadvantaged household compositions, precarious work arrangements). The chapter also includes a first general assessment of the link between the criteria used to define those in need according to the more commonly used concepts of poverty and social exclusion, and the eligibility conditions to access means-tested minimum income schemes.

Chapter 2 then presents the most updated evidence on the extent of the various indicators of poverty and social exclusion in EU countries before and after the occurrence of the pandemic. To better frame the possible indeterminacy of the various concepts used and indicators of poverty and social exclusion discussed in Chapter 1, Chapter 2 includes ad-hoc simulations – through EU-SILC – to show the robustness of cross-country rankings and of individual positions along the country distribution when different concepts and indicators of poverty and social exclusion are used (for instance, by setting the poverty line at 40% or 60% of the national median or following the severe material deprivation indicator).

The second part of the study focuses on national and EU-level policies dealing with poverty and social exclusion and, in particular, the role and characteristics of minimum income schemes (MIS).

To this end, Chapter 3 provides a comparative overview of the key features of national minimum income schemes, again using EU-SILC data, and then focuses in detail on six country case studies, where various crucial dimensions associated with MIS are compared (e.g. monetary and non-monetary entitlement conditions, work incentives for beneficiaries, links with active labour market policies and social services). The aim of these case studies is to provide practical examples of different schemes in different contexts, to identify lessons learned as well as interesting practices, and ultimately to provide policy suggestions on pathways towards the adoption/reform of Minimum Income Schemes.

Chapter 4 provides an overview of key EU policies, initiatives and programmes for fighting poverty and social exclusion, focusing in particular on the feasibility of an EU minimum income framework. This overview is based on desk research as well as interviews with key EU-level stakeholders.

Finally, Chapter 5 provides conclusions and suggestions on the conceptualisation and measurement of poverty and social exclusion, along with some policy recommendations concerning the adoption of an EU-level initiative for a minimum income scheme framework.

1. POVERTY AND SOCIAL EXCLUSION CONCEPTS AND MEASUREMENT

KEY FINDINGS

- The concept of poverty may be declined based on several methodological choices, concerning, e.g., the definition of the poverty line (absolute vs. relative), the dimensions to be considered to capture a poverty status (unidimensional vs. multidimensional), the proxy of the living standards chosen when a unidimensional approach is followed (mostly income vs consumption).
- In empirical analyses, as well as in the definition of the indicators to use when measuring poverty, the choice between these various methodological features is often constrained by data availability.
- No clear-cut indications emerge from the theoretical and empirical literature about the best methodologies to apply when conceptualising and measuring poverty and social exclusion.
- The issue of data quality is crucial to carry out sound poverty analyses, especially in cross-country comparisons.
- Although the EU Commission has defined official poverty and social exclusion indicators, EU Members often adopt their own (more or less implicit) poverty definitions when implementing national minimum income schemes (MIS).
- The (implicit) poverty definition adopted in MI schemes generally turns out to be more strict than the AROP definition across EU-27 countries because of various reasons (e.g., age and residence requirements, means-testing conditions on household wealth). This stricter definition affects the coverage and adequacy of MIS.

A set of interrelated concepts, e.g., inequality, fairness, poverty, social exclusion, in-work poverty, may be considered to assess the distribution of economic well-being among individuals and households. Although these concepts are often used as synonyms, their conceptual differences should be clarified in order to drive sound empirical analyses aiming to provide evidence on distributional issues across and within countries. Furthermore, as concerns poverty – the concept on which this report mostly focuses – its definition depends on a set of crucial methodological choices (Lemmi et al., 2019; Cutillo et al. 2020), concerning the definition of the poverty line, i.e. absolute vs. relative (Rowntree, 1901; Townsend, 1979; Sen, 1983); the measure of the individuals' well-being, i.e. objective vs. subjective (Goedhart et al., 1997); the dimensions to be considered to capture a poverty status, i.e. unidimensional vs. multidimensional (Sen, 1991); the proxy of the living standards chosen when an unidimensional approach is followed, e.g. income, consumption, wealth or indicators of economic distress (Garner and Short, 2010; Kuypers and Marx, 2016); the time period to be considered for identifying poverty, i.e. static vs. dynamic (Addison et al., 2009; Chen and Ravallion, 2013; Jenkins and Van Kerm, 2014). Besides the relevant theoretical considerations about the best approach to capture poverty, in empirical analyses the choice between these various methodological features is often constrained by data availability.

Against this background, this starting chapter aims at setting the scene regarding the poverty concept adopted in EU countries and at the EU level. First, a review of the various concepts will be presented in Section 1, mostly discussing the pros and cons of a relative or an absolute poverty measure. Second, the main measurement issues related to poverty and social exclusion will be reviewed in Section 2,

paying particular attention to the more proper monetary dimension to summarise individuals' economic well-being, i.e. the debate between income and consumption as the best proxy of living standards. Against this background, data quality becomes a crucial prerequisite to carry out sound analyses of the extent of poverty across and within countries. The issue of data quality, with reference to the EU case, will be the object of analysis in Section 3. Finally, in Section 4 the focus will move to the link between the individual poverty status and eligibility for anti-poverty public welfare transfers. Currently, the recipiency of some types of welfare transfers – especially minimum income benefits, i.e. means-tested cash benefits aiming to guarantee a minimum amount of resources to those who have insufficient means of subsistence and who satisfy a set of conditions based on their income and assets – is usually implicitly associated with the poverty status. However, we will note that the link between poverty and minimum income scheme recipiency is in fact more vague and less strict than expected, as the poverty concept used to measure eligibility may differ widely from the poverty concepts followed by academics and institutions, and the eligibility requirements may include further conditions relating to individuals' and households' incomes.

1.1. The concepts under scrutiny

Recently, the economic literature and the economic policy debate have both been increasingly concerned with the inequality in income and standard of living of individuals and households: the so-called personal inequality, i.e., the differences within individuals in a given population (see for example OECD, 2008, 2011, 2015, European Commission, 2017, and an increasing number of academic articles and books focusing on this topic in recent years, e.g., Salverda et al., 2009, 2014; Stiglitz, 2012; Piketty, 2014; Atkinson, 2015; Milanovic, 2016).

This concern has arisen due to growing empirical evidence which has proved that, in most developed countries during the last decades, and also after the economic crisis that began in 2008 (OECD, 2016), incomes and earnings have become more dispersed and more and more concentrated in the hands of small and privileged segments of the society (the top 1 or 0.1%; Atkinson et al., 2011). The pace and the extent at which such trends have taken place are not the same in all countries but, because of such trends, inequality is rather high and increasing in several developed and developing countries (OECD, 2011; Atkinson, 2015; Bourguignon, 2017; Raitano, 2019).

Changes in the distribution of living standards among individuals and households are usually assessed by looking at levels and patterns of indicators of inequality, i.e. by measuring how a certain economic dimension (usually income; see Section 1.2) is distributed among all individuals or households belonging to a certain society (a region, a country, a supranational entity or rather the world; Filauro and Parolin, 2019; Lakner and Milanovic, 2013). However, inequality is not the only concept capturing issues related to the distribution of economic well-being. The European Commission (EC, 2020a) is currently paying increasing attention to the concept of fairness, i.e. an ethical judgement about a certain distribution among individuals or generations (Raitano et al., 2021), thus distinguishing, in a certain sense, the outcome (the object studied through the inequality lens) from the mechanisms and the procedures which have determined that outcome. Among the normative criteria usually followed to assess fairness, an insightful concept refers to equality of opportunity that, following Roemer (1998), investigates the share of individual outcomes due to exogenous circumstances beyond an individual's control (such as gender, region of birth, race, family background) instead of individual efforts and merits. Nevertheless, as pointed out by EC (2020), as fairness is a subjective concept based on judgement values, a pluralism of fairness values prevails among individuals. Moreover, fairness judgements also depend on the specific reference group considered by the individuals to assess a certain distributive outcome (e.g. colleagues, neighbours, those living in the same city or country).

Apart from normative and procedural aspects related to the distribution of living standards, which are clearly crucial to assess the acceptability of a given outcome and then to implement the most appropriate predistributive and redistributive policy measures (Raitano, 2019), particular attention is often paid to the lower tail of the distribution, i.e. to the poor[1]. Differently from inequality analyses, which refer to all individuals belonging to a certain society, poverty analyses, as mentioned, look at what happens in the lower tail of the distribution only and, therefore, ask for criteria to identify who belongs to such tail, i.e. who are the poor.

Accordingly, criteria to follow to carry out poverty analyses are highly demanding, since no single answer may be given to the question "who are the poor?". As stated by Smeeding (2016), the concept of poverty refers to the lack of adequate resources or capabilities to participate fully in a society, but poverty remains a vague concept based on a number of relatively arbitrary assumptions. Identifying the poor requires, indeed, to set a threshold (the poverty line) that divides the poor from the non-poor, and no unanimously agreed criteria exist for how to set that threshold.

As previously mentioned, to identify the poor, a large set of crucial methodological choices have to be made, mostly concerning the type and the level of the poverty line (absolute, relative or subjective), the dimensions to consider relevant when assessing poverty, and many methodological issues concerning the precise measurement of those dimensions. Studies about poverty, aware that individual economic distress is related to households' resources and needs, usually focus on a single monetary dimension – often income for high-income countries and consumption for low- and middle-income countries – but multidimensional indexes are often suggested to capture poverty which, by its nature, is a multifaceted concept. The basic idea behind the multidimensional approach – that usually combines monetary and non-monetary dimensions – is that monetary measures of poverty fail to capture key aspects of poverty, especially people's lack of some essential goods, services or capabilities (Villar, 2017)[2].

The concept of poverty is closely interrelated with the concept of social exclusion. Nevertheless, as pointed out by Abrahamson (2002), amongst others, poverty and social exclusion should be considered as two distinct phenomena since the critical variable regarding poverty is resources, while the critical variable for social exclusion is discrimination. Such distinctions should also shape policy: anti-poverty measures should basically provide a minimum income or in-kind welfare benefits, while the more encompassing concept of social exclusion also asks for enabling access to service-delivering institutions (Abrahamson, 2002).

The European Commission has addressed these issues in its Europe2020 strategy by adopting a portfolio of social indicators to monitor country performances and the challenges highlighted in the European Pillar of Social Rights (Social Protection Committee, 2015; Atkinson et al., 2017). In particular, the EU social indicators portfolio has the merit of placing three poverty and social exclusion output indicators next to the already existing at-risk-of poverty (AROP) rate: the (quasi-) joblessness rate, severe material deprivation rate, and at-risk-of-poverty-or-social-exclusion (AROPE) rate. The AROP rate – adopted by the EU in 2001 (Atkinson et al. 2002) – is an income-relative poverty measure consisting of a simple headcount ratio where 60% of the national equivalised median disposable income

[1] An increasing strand of the economic literature is instead focusing on the upper tail of the income distribution, i.e. on the so-called super-rich or top incomes (Atkinson et al., 2011; Leigh, 2009; Franzini et al., 2016).

[2] Ravallion (2010) points out that non-monetary poverty measures may be relevant for two different reasons: i) some aspects of poverty are hardly captured by monetary measures; ii) a relevant part of consumption goods and services are non-marketed, especially in low-income countries.

represents the poverty line[3]. The (quasi-)joblessness rate consists of the share of population aged 0-59 living in households with very low work intensity (i.e. whose household members aged 18-59 work less than 20% of their total work potential). The severe material deprivation (SMD) rate represents the share of the population living in households who cannot afford at least four items out of a list of nine (note that the material deprivation indicator does not focus on the lack of items due to choice and lifestyle preferences but on the 'enforced lack')[4]. Finally, the AROPE rate is a simple equal weights combination of the previous three indicators representing the share of population which reports at least one of the following conditions: AROP, (quasi-)joblessness, or severe material deprivation.

The indicator related to severe material deprivation especially helped to alleviate the main drawbacks of the AROP rate: the perhaps excessive 'relativity' of its threshold across EU countries and its strict connection with the shape of national income distribution (Darvas, 2017). In other terms, **the AROP index focuses more on the extent of inequality in the lower tail of the income distribution rather than on an actual lack of adequate resources**, especially for citizens of higher-income EU countries. However, it should be noted that the indicator of material deprivation is based on key aspects of material living conditions, while it does not cover all possible dimensions of social exclusion (e.g. health, employment, education, social and political participation). Therefore, as discussed below, the **SMD can be considered as a sort of proxy of absolute poverty** – since it captures individuals' ability to afford some basic goods – rather than as an index of social exclusion.

In addition to the AROP rate, EU institutions have also focused on the issue of '**in-work poverty' (IWP**), adopting an indicator measuring the share of individuals aged 18-64 who work at least half the year and live in a poor household (i.e. with an equivalised disposable income below 60% of the national median). However, issues about the **indeterminacy of the poverty concept also emerge when the focus is on workers** (and the same concept of 'worker' is theoretically undetermined). As a matter of fact, as shown in Chapter 2, the IWP risk is not necessarily associated with a low-paid job and a disadvantaged employment condition (that only defines the population subgroup to focus on), since, on the one hand, individuals with short working spells are not considered by the EU indicator, and, on the other hand, the individual's in-work poverty condition is assessed at the household level, and so also depends on the household's income and other characteristics. As shown in Chapter 2, plausible alternative measures of IWP might instead focus on all active individuals (independently of the length of their annual working spells) and assess the poverty status with reference to individual earnings only, thus better distinguishing the individual and the household dimensions of poverty risks (Ponthieux, 2010; Raitano et al., 2019)[5].

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[3] Methodological issues, discussed in the remaining sections of Chapter 1 and in Chapter 2, concern the equivalence scale adopted to compare income of individuals living in households with different characteristics and the income concept adopted to capture individuals' living standards.

[4] The nine items are the following: I) face unexpected expenses; II) afford a one-week annual holiday away from home; III) avoid arrears (mortgage or rent, utility bills or hire purchase instalments); IV) afford a meal with meat, chicken, fish or vegetarian equivalent every second day; V) afford keeping home adequately warm; VI) have a washing machine; VII) have a colour TV; VIII) have a telephone; IX) have access to a personal car. However, the severe material deprivation rate has been recently replaced as an EU indicator by the newly agreed "material and social deprivation (MSD) rate" (Guio et al., 2017). This new indicator relies on a set of 13 material and social deprivation items. Six items were also adopted for the former deprivation indicator (items about having a washing machine, a colour TV, or a telephone were instead excluded) while seven are new: replace worn-out furniture; replace worn-out clothes; have two pairs of properly fitting shoes; spend a small amount of money each week on him/herself; have regular leisure activities; get together with friends/family for a drink/meal at least monthly; have an internet connection. The MSD rate measures the share of the population living in households who cannot afford at least five items out of 13. Furthermore, note that Guio et al. (2020) have recently proposed an indicator specifically focusing on child deprivation.

[5] Ponthieux (2010) points out that the hybrid combination of individual and household conditions in the EU IWP indicator engenders a sort of 'gender paradox' since, despite their higher labour market risks (in terms of employability and wages), women are not particularly over-represented in working poverty, as the poverty status is assessed with reference to household income instead of individual earnings.

Against this backdrop, in the rest of the chapter we will mostly focus on monetary indicators and will review the main options, methodological choices, implications and data limits emphasised by the economic literature regarding the measurement of poverty and social exclusion. In more detail, in the remaining part of this section we will discuss the normative choice between absolute and relative poverty, while in Section 1.2 we will review issues concerning the best monetary dimension to capture poverty (income or consumption) and the methodological choices related to comparing the living standard of individuals living in households with different sizes (i.e. what equivalence scale to apply to homogenise living standards according to the household composition). Section 1.3 will then focus on data issues, while Section 1.4 will evaluate how the lack of a single definition of poverty and social exclusion interacts with the eligibility requirements for minimum income schemes.

1.1.1. Absolute or relative poverty?

Poverty may be evaluated from a subjective or an objective perspective. The subjective poverty approach is based on individuals' perception regarding their economic situation (e.g. answering the question about the capacity of 'meeting ends' through the means the individual has at their disposal), while the objective approach deals with poverty in terms of some observable variables (e.g. income, wealth, consumption). In this report we focus on the objective approach, discussing the possible shapes of such an approach.

As remarked, poverty requires a criterion to identify the poor; thus, the crucial issue concerns how the poverty line – i.e. the threshold which determines who is poor – is established. The main dichotomy in poverty analysis concerns the debate between absolute and relative lines (Ravallion, 2010; Smeeding, 2016).

An absolute poverty line is usually defined according to the food energy intake or the cost of a basket of basic goods (e.g. food, shelter, clothing), even though giving an exact definition of energetic needs or basic goods is extremely complex. Hence, an individual who cannot afford to buy or consume such a basket is deemed poor. A relative poverty line is instead defined as a social norm with reference to the typical (mean or median) living standard in a certain society. Hence, the poor are those with a living standard (usually based on their income or consumption) far from the others, e.g. with an income below 60% of the median, according to the EU AROP definition.

In a certain sense, absolute lines thus seem independent of the living standards of the non-poor population, while relative thresholds change in line with the variation of the living conditions of the society. As of now, absolute poverty lines are updated only according to the change in the prices of the goods and services that constitute the basic goods basket – in order to keep constant the real value of such basket – while the real value of relative poverty lines increases over time when the living standard of a society improves. The income elasticity of the poverty line is therefore between zero, for the absolute measure, and one, for the relative measure (Smeeding, 2016)[6].

However, as clearly pointed out in the international comparison carried out by Ravallion (2010 and 2016), absolute poverty lines are always in some sense 'relative' since the definition of the basket of basic goods always depends on the stage of development of a certain country. Hence, all absolute poverty measures are 'relative', since the context is important in the definition of 'absolute' basic needs (Smeeding, 2016). For instance, while the World Bank uses $1.95 per day as the poverty threshold to

[6] The income elasticity of the poverty line refers to association between the percentage change in the poverty line and the percentage change in the national income. For instance, the AROP line has an elasticity equal to one with respect to the change in national median income, since the threshold changes in line with the change in median income. Conversely, in countries as Italy where an official absolute poverty line is computed, that line does not automatically change with the GDP growth.

assess the incidence of extreme poverty in the least developed countries, the level of absolute poverty in higher income countries is much higher. According to Ravallion (2010) figures, the range of national poverty lines in a sample of countries over the world is huge, from $0.62 to $43 per day, though there are two modes around $2 and $30 a day.

Thus, although absolute poverty lines are often based on scientific methods such as the food energy intake and the cost of basic needs, in practice absolute poverty lines tend to behave like relative lines, since their level is proportionate to country income (Ravallion, 2010). In fact, absolute poverty lines cannot be interpreted as a mere physiological minimum necessary for survival. Rather they represent a minimum social standard of decency, which clearly depends on the lifestyle of a certain society. As stated by Townsend (1979): "Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and the amenities which are customary, or at least widely encouraged or approved in the societies to which they belong".

However, although all poverty lines depend on the country's stage of development, changes over time of absolute and relative lines may largely differ, since the process of adjustment of the basket of basic goods or the energetic requirements is rather slow, while relative poverty lines automatically adjust over time in line with the changes in the point of the distribution considered as the reference (i.e. the median income for the AROP).

Poverty has almost exclusively been estimated through a relative approach in the last decades in developed countries. The absolute approach has been instead officially adopted, apart from very few exceptions (the most notably being the US from 1968 and Italy from 2005; Meyer and Sullivan, 2012; Cutillo et al., 2020)[7], for developing countries only. However, in recent years, the importance of relying also on an absolute approach is growing in developed countries, due to some well-known limits of the relative approach (e.g. Ravallion, 2016).

As remarked, **relative poverty** – especially when the value of the line is rather high – **better depicts inequality in the bottom tail of the distribution rather than the actual spread of economic hardship and social exclusion** (Sen, 1983; Darvas, 2017). Furthermore, **comparisons across countries are biased by the level of the national relative line[8],** and mostly – especially if one is interested in the evolution over time of a poverty index in a certain country – relative poverty may fail to capture the evolution of living standards in periods of recession or high growth since the median/mean income might move disproportionately with respect to incomes at the bottom of the distribution. Hence, relative poverty might be characterised, paradoxically, by a sort of pro-cyclicity with economic growth when the growth is not 'pro poor' (or a recession disproportionately damages the middle class) and is not evenly spread along the income distribution[9].

As pointed out by Ravallion (2010), the preference between relative or absolute lines is linked to the normative judgement about the effect on poverty of economic growth and development. In this

[7] Starting from 2005, Italy computes absolute poverty thresholds according to the cost of a specific basket of goods concerning food, housing and basic non-food 'residual' needs which vary according to the household composition and the area of living, differing the prices of these goods across the Italian territory (Cutillo et al., 2020). Absolute poverty is officially computed by the Italian Institute of Statistics (ISTAT) using the Italian Household Budget Survey (HBS). Hence, a household is considered poor when monthly expenditure is lower than the absolute poverty line attributable to that household.

[8] A country with a much higher income but a more dispersed income distribution below the median would indeed be characterised by a higher relative poverty than a country with much lower but less dispersed income below the median.

[9] An alternative, discussed in Chapter 2 and included among the EU social indicators, is to make use of a relative threshold anchored at a certain point in time to evaluate poverty changes especially in periods characterised by great volatility of the business cycle. Actually, as clarified by Smeeding (2016), an absolute poverty line may be considered as an anchored poverty line.

perspective, absolute poverty – i.e. the lack of resources to afford a certain basket of goods – might be eliminated with sufficient economic growth (as in China and Eastern Asian countries over the last decade), while changes in relative poverty clearly depend on the association between economic growth and inequality. However, following Ravallion and Chen (2010), it might be questionable to argue that fast economic growth that leaves income inequality unchanged has no effect on poverty or, rather, that where the income of the poor largely increases but less than the median, poverty is increasing too. As mentioned, relative poverty is a fascinating concept but – both in cross-time and cross-country comparisons – it mostly captures inequality in the bottom part of the distribution rather than the absolute living standards of the disadvantaged part of the population.

Unless one believes that the SMD indicator – which is not based on reference budget but only qualitatively focuses on the enforced lack of some goods – is perfectly able to capture absolute poverty, **the AROP rate at the EU level should therefore be matched by an absolute poverty line defined according to the reference budget method**, i.e. computing the cost of a basket of goods and services considered essential to participate adequately in society[10]. In line with this, the European Union has recently launched a project on "Measuring and monitoring absolute poverty" to facilitate data collection for measuring and monitoring absolute poverty at EU, national and regional levels. This follows a previous pilot project for the development of a common methodology on reference budgets in Europe (Goedemé et al., 2015). Alternatively, in line with the extended headcount ratio proposed by Goedemé et al. (2020), mixed poverty indicators combining a low fixed threshold (constant in real terms across space and time) and a floating threshold (based on the AROP line) might be developed.

1.2. Measurement issues

1.2.1. What is the best indicator of individual living standard?

The economic literature has paid attention to the choice of the best indicator to assess the distribution of living standards. The literature has proposed both mono-dimensional monetary indicators (mostly, income, wealth or consumption) and multi-dimensional indicators. The latter may be based on a combination of monetary dimensions (e.g. the Italian index of the equivalised economic condition – ISEE, which jointly considers household's income and wealth) but also non-monetary dimensions (e.g., jointly considering individuals' income, health and education), to capture Amartya Sen's concept of capability (1991).

As regards poverty analyses, however, the large majority of studies refer to household income or consumption (usually measured through expenditure) as the proxy of living standard, also because of the serious methodological challenges related to the use of non-monetary mono- or multidimensional concepts of well-being. Consumption is more commonly used in developing countries where income is often harder to measure, while poverty analyses in OECD countries are more often based on income (Ravallion, 2010).

The economic literature agrees that, from the theoretical side, the best proxy of economic well-being derives from the suggestions of Haig (1921) and Simons (1938), who defined 'full income' with reference to the potential consumption which an individual might have in a certain period without reducing the worth of his/her assets. Actually, Simons (1938) defined 'full income' as "the sum of the market value of rights exercised in consumption and the change in the value of the store of property rights between the beginning and end of the period in question." According to this concept, income

[10] Penne et al. (2016), computing reference budgets for three EU countries, show that the AROP lines do not represent the same level of living standard across those countries.

and consumption would differ only by net wealth, which is less a problem for the poor than other income groups, especially in low-income countries (Smeeding, 2016).

However, from the empirical side it is almost impossible to precisely compute all the sources of 'full income' (Canberra Group 2011). On the one hand, some income sources such as capital gains or self-employment are often badly measured or underreported; on the other hand, it is extremely complex to impute a monetary value to relevant non-monetary factors which affect an individual's consumption, such as home-produced food, imputed rent for those who own the house where they live (without thus having to pay rent) or in-kind welfare benefits (for health and long-term care, childcare and education).

The worse the measurement of these income sources, the less reliable the measures of income poverty and inequality become, especially in cross-country comparisons. This is the reason why empirical studies usually make use of datasets where the definition of the various income sources is homogenous across countries (the EU-SILC or the Luxembourg Income Study – LIS), and almost all possible income sources are recorded (apart from the monetary value of in-kind welfare transfers which, however, might be estimated through different approaches). Therefore, income is often suggested as the best proxy for analysing the income distribution in developed countries, where these datasets are available (Canberra Group, 2011). Accordingly, the AROP is officially measured in EU countries with reference to equivalised income as recorded in the EU-SILC (without including, however, in-kind welfare benefits or imputed rents from home ownership)[11]. Conversely, no official poverty measure is based on consumption in the EU, since no homogenised household budget survey (HBS) exists at the moment in Europe.

Nevertheless, from a theoretical perspective, income has a further drawback for proxying individuals' well-being since it may be affected by temporary fluctuations that do not seriously change the economic well-being if the individual may save or dissave. Correctly, the full income concept proposed by Simons (1938) also considers the change in the value of wealth for measuring income in a certain period, but precisely measuring variations in the value of wealth is extremely complex[12]. It has then been argued that consumption – usually proxied by expenditure in a certain period – might be a proxy of well-being better than income, since it is more stable overtime, independently of short-term income fluctuations. Moreover, an indicator based on consumption is able to better capture the living standard of those individuals whose income is artificially kept low in surveys or administrative tax files because of income underreporting (mostly of capital incomes) or evasion.

Actually, since the seminal studies of the Nobel prizes Milton Friedman and Franco Modigliani about permanent income and the life-cycle hypothesis (e.g. Friedman, 1957; Modigliani, 1966), it has been agreed that consumption reflects, to a certain extent, households' long-run resources rather than the mere current income. Indeed, especially where proper capital markets work, current levels of consumption depend, over current income, also on expectations of future incomes and on saving and dissaving along the life course (Meyer and Sullivan, 2011; Meyer and Sullivan, 2013; Brewer and O'Dea, 2012). Furthermore, consumption might be considered a better proxy of well-being in empirical studies

[11] Note, however, that with respect to some types of monetary incomes EU-SILC data might be plagued by some issues limiting across country comparability. In particular, as pointed out in Chapter 3, the income source disaggregation used in the EU-SILC does not allow to precisely identify beneficiaries and amount of minimum income transfers, since these types of transfers are not specifically recorded in the EU-SILC. In the recent waves of the EU-SILC non-contributory and means tested benefits protecting against 'social exclusion not elsewhere classified' – i.e. the type of benefits more similar to minimum income schemes – are specified but, on the one hand, some countries do not provide information about this variable and, on the other hand, the limited sample size of those who report positive values in this variable makes complex to derive robust cross-country comparisons.

[12] For instance, some types of wealth are easily hidden (e.g. cash money, paintings), and attributing value to wealth is a bit arbitrary when some types of wealth are not sold/bought (e.g. houses or unrealised capital gains on shares).

about developing countries where reliable income data are more rarely available. However, consumption is clearly affected by individual preferences, thus biasing comparisons across individuals. Nevertheless, limits due to individual preferences seem less serious when one focuses on the very bottom tail of the distribution, since less well-off individuals should mostly satisfy basic needs which, by definition, should not change according to preferences.

Furthermore, some US-based studies find that income is more often underreported in the bottom tail of the income distribution, especially because welfare transfers are usually underreported in surveys, as indirectly confirmed by the large share of individuals lying in the bottom percentiles of the income distribution whose expenditure largely exceeds income (Meyer and Sullivan 2003, 2011). Meyer and Sullivan (2012) also point out that, for the case of the US – where an official absolute poverty line based on income exists –, those who are defined as poor according to their consumption have, on average, more disadvantaged characteristics (e.g. in terms of education or tenure status) than those identified as poor according to their income.

However, serious methodological issues which might bias poverty measures also emerge with respect to the measurement of consumption (Moratti and Natali, 2012). First, household consumption is usually proxied by expenditure since it is difficult to quantify the consumption of non-marketed welfare transfers. Second, how to impute the spending for durable goods or rare events (as marriages) to a certain period (the year) is an open question. Third, it is theoretically not clear whether to include in the computations some components such as medical expenses, expenses for disabled household members or mortgages that are not directly linked to individuals' utility.

As stated by Fisher et al. (2015) and Bavier (2008), neither income (as currently measured) nor consumption alone precisely capture the economic well-being of all households. Therefore, analyses based on both dimensions of household living standards would be welcome to precisely measure the extent and the characteristics of poverty.

Nevertheless, one crucial aspect should be remarked. Even though consumption can be more precise than income in capturing the living standards of those lying in the bottom tail of the distribution – especially when income data are flawed –, from a policy perspective it is extremely complex to implement means-testing with reference to household consumption. As a matter of fact, consumption is much more easily alterable by individuals than income. This is the reason why, as discussed in Section 1.4, in almost all developed countries – where the capacity to observe income is rather high – means-testing conditions for accessing minimum income schemes always refer to income, plus some conditions related to housing and financial wealth (and in some cases the possession of some durable goods) to prevent tax evaders benefiting from cash welfare transfers reserved for the poor.

1.2.2. Which poverty index?

Measuring poverty – regardless of the poverty concept used (e.g. absolute or relative) – does not imply merely counting how many individuals/households are below the poverty line (i.e. the so-called poverty incidence), since further dimensions of poverty, i.e. its intensity (how far the poor are from the poverty line) and inequality (how different are the conditions of the poor) are crucial to compare the characteristics of poverty across countries and to derive sound anti-poverty policy suggestions. As summed up by Amartya Sen (Sen, 1976), poverty analyses should jointly focus on the 3 Is: incidence, intensity and inequality.

However, the most used poverty indexes are unable to take into account these three dimensions and to satisfy some basic properties that should be fulfilled by a proper indicator (Baldini and Toso, 2005). Furthermore, the choice of the specific indicator might affect the ability to evaluate the effect on the

extent of poverty of possible redistributive policies.

Currently, the standard headcount poverty indicator – as the AROP –, focusing only on the incidence of poverty, does not measure poverty intensity, i.e. how poor the poor actually are. Indeed, the index does not change when the income of the poor decreases, and it struggles to capture the effect of policies such as minimum incomes, since its value does not change if the income of the poor increases but they remain below the poverty line. Likewise, the measurement of poverty intensity is not as clear-cut as it may appear. Merely measuring poverty intensity by focusing, as is usually done, on the mean gap from the threshold of the poor (the so-called 'income gap ratio') might paradoxically register an increase in poverty if minimum incomes bring some of the poor above the poverty line (indeed, according to this index the gap is computed only considering those below the poverty line, whose extent might, however, change over time)[13].

Accordingly, to capture all possible aspects related to poverty – i.e. its incidence, intensity and inequality – less immediate but theoretically more robust indexes such as those proposed by Foster, Greer and Thorbecke and by Sen should be used (Villar, 2017) or, as an alternative, at least both indicators of poverty incidence and intensity should be evaluated to assess policy changes.

1.2.3. How to compare individuals living in households with different compositions?

The research on income inequality and poverty has traditionally looked at the distribution of disposable income among individuals – who are then considered as the unit of analysis –, while keeping the household as the unit of observation within which income is pooled and equally shared among its members[14].

Taking the individual as reference requires adjusting household resources to reflect differences in needs for households of different sizes. The issue of how much economies of scale are available to households is called the equivalence scale issue, where the equivalence scale is a set of coefficients needed to homogenise the economic resources (income or consumption) of households with different sizes and compositions.

However, despite theoretical attempts to estimate returns of scale (Atkinson, 1995), the economic literature does not agree on the choice of an equivalence scale, which becomes a sort of pragmatic choice, both in international comparisons and in the procedures followed by national institutions when establishing how the amount of minimum income changes when the household size increases. For instance, the AROP is computed by relying on the so-called 'modified OECD scale', that computes the number of equivalised members, attributing 1 to the household head, 0.5 to members aged at least 14 and 0.3 to those aged at most 13, thus implicitly assuming that returns to scale of living together is rather high; according to such a scale, for instance, the resources of a household with 2 adults and two young children are indeed equivalent to 2.1 times those owned by a single.

The choice of a particular equivalence scale depends on technical assumptions about economies of scale in consumption, as well as on value judgements about the priority assigned to the needs of different individuals such as children or the elderly (Forster and Mira d'Ercole, 2008). These judgements will affect results: large households have a relatively higher equivalised income – and are then less at risk of poverty and are less likely to benefit from means-tested welfare transfers – when a scale with

[13] To avoid this paradoxical effect, the poverty gap should be computed taking into account the whole population instead of only the poor, i.e. including in the computation also the non-poor and attributing them a gap equal to zero.

[14] A critique to the $1.95 dollar per day threshold of extreme poverty set by the World Bank is rather that it only considers individuals and the poverty line is not adjusted according to the household size (e.g. the poverty line of a couple is merely the double of that threshold; Smeeding, 2016).

high returns of scale is used. On the contrary, once the scale attributes low returns to scale from sharing resources (such as the scales based on consumption of goods like food with very low returns of scale), the equivalised income of the large households reduces and, hence, their members, on the one hand, risk being more frequently identified as poor but, on the other hand, have a higher chance to be entitled to receive a means-tested welfare benefit.

When choosing a specific equivalence scale, policy-makers should therefore be aware of its potential effect on the level of the phenomenon under investigation (i.e. on the poverty level), on cross-country and cross-time comparisons and, mostly, on the composition of the poor population and, therefore, of the welfare benefit recipients. More generally, the equivalence scale issue is needed to remark that individual rankings, independently of the monetary or non-monetary dimension used to proxy their economic well-being, are always unavoidably based on some assumptions which, even if based on apparently technical factors, may always mask arbitrary choices.

1.3. Data issues, before and after the COVID-19 emergency

Distributive analyses are always constrained by the quality of available data. The AROP estimate in the EU is based on household disposable incomes recorded in the sample survey EU-SILC, while some countries, for instance Italy, provide national poverty figures based on household expenditure recorded in the Household Budget Survey (HBS). Furthermore, a growing number of OECD countries are implementing innovative datasets built by merging surveys with information coming from administrative archives (e.g. tax files or social security records)[15].

However, despite these deserving efforts, it is still impossible to empirically measure with high precision the 'full income' concept as proposed by Simons (1938). In particular, the measurement of poverty and the identification of the poor is biased in EU countries by the methodological difficulties of attributing a monetary value to in-kind public welfare services (Aaberge et al., 2013) and to imputed rents from home ownership (Tormalehto and Sauli, 2013)[16], two income sources which may represent a main source of living standards for a large share of European citizens, including those lying in the lower tail of the living standard distribution. As a consequence, the EU official measures of the AROP rate as well as of the In-Work Poverty (IWP) rate take into account an equivalised disposable income concept where neither the value of in-kind welfare transfers, nor imputed rents are included[17].

Moreover, despite the efforts of Eurostat and the national statistical institutes in providing homogenous variables in the EU-SILC, the cross-country comparability of income variables might be undermined by many factors which engender some heterogeneity in income recording across countries and especially the fact that some countries record income through survey questions, while other countries use income data recorded in administrative registers, which are usually much more precise when recording the income of poor individuals (Goedeme et al., 2020).

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[15] Examples of these administrative-survey linked datasets are the Italian AD-SILC (Administrative SILC), developed by merging the cross-sectional waves of the Italian component of the EU-SILC with the administrative records about the individuals' working history collected in the archives managed by the Italian National Social Security Institute (INPS) or the of Sample of Integrated Welfare Benefit Biographies (SIG) in Germany. Providing information from administrative archives these types of datasets are very well suited for longitudinal analyses; see, e.g., Struffolino and Raitano (2020) and Bruckmeier et al. (2020).

[16] Imputed rents measure the monetary benefit accruing to owners and to those paying a reduced rate rent or receiving for free the accommodation because they do not have to pay the market value of the rent for an accommodation with similar characteristics to the house where they live.

[17] Also the value of goods produced for own consumption and non-cash employee income (with the exception of company cars) are excluded from the disposable income concept used to measure the AROP rate.

Apart from the measurement of poverty at a certain point in time, long panel data (as the German Socioeconomic Panel – GSOEP or the Panel Study Labour Market and Social Security – PASS in Germany or Understanding Society in the UK or the Administrative SILC – AD-SILC for Italy) would be needed to observe the dynamics of poverty, thus allowing researchers to distinguish those who are persistently or recurrently poor from those who are only temporarily poor (Polin and Raitano, 2014), keeping in mind that patterns of poverty dynamics are crucial to define sound policy measures to improve conditions of the different groups of poor individuals. However, unfortunately, the EU-SILC, the only homogenous dataset of income and living conditions in EU countries, has a limited longitudinal time span since individuals are followed for at most four years (apart from France where the same individuals are followed for up to 9 years), thus preventing thorough analysis of long-term poverty dynamics and the trigger events associated with transitions in and out of poverty (Bane and Elwood, 1986). Moreover, non-casual attrition from the panel might emerge – i.e. the characteristics of survey participants who drop out from the survey tend to differ from the characteristics of retained survey participants – thus plaguing the panel representativeness over time and limiting the analyses of poverty dynamics of the groups which more often tends to leave the panel (e.g. the divorced or children who leave the family of origin; Iacovou and Lynn, 2013; Jenkins and Van Kerm, 2017)[18].

As a further relevant aspect, available data often have limits if one needs to focus on specific subgroups of the population, because of the limited size of certain groups which are then not representatively captured in sample surveys (e.g., homeless people, Roma people, people living in institutions) or because the most disadvantaged groups (e.g., migrants or informal workers) often have a lower response rate to surveys. Therefore, to observe poverty levels and dynamics among these subgroups, one would need specific ad hoc surveys that are, however, usually nationally based (or even more territorially focused) and hence hardly comparable across countries due to differences in design.

Moreover, because of the rather limited sample size in surveys, focusing on narrow subgroups defined by several intersecting categories of disadvantaged individuals or households (e.g. distinguishing households according to the area of living, the household composition and the gender, the citizenship, the employment status, the age and the contractual arrangement of the household head) might engender 'sample cells' with few observations thus plaguing the reliability of the analyses. Accordingly, if one aims at studying the intersectionality between several characteristics which might expose individuals and households to higher risks of poverty and social exclusion, one should look for dedicated surveys (which have, however, the limit of being not representative of the whole population; e.g. those specifically focusing on lone mothers or the recipients of a certain benefit) or, where possible, should rely on datasets extracted from administrative sources, which usually have the advantage of a large sample size[19]. Note, however, that administrative datasets have the disadvantage of not being comparable across countries, since the definition of variables depends on procedures which differ by countries.

1.3.1. Data limits for the estimates of poverty trends since the COVID-19 outbreak

From the beginning of the COVID-19 pandemic, the economic literature has dedicated a broad and growing emphasis to the effects of the pandemic, focusing both on the determinants of the effectiveness of social distancing measures and on the socio-economic consequences of COVID-19 on

[18] Fusco et al. (2021) also notice that the rotating panel sample used in the longitudinal EU-SILC might bias the poverty estimate since individuals' response behaviours change across repeated interviews.

[19] For instance, a few years ago, the Italian National Security Institute (INPS) started a research project named Visit-INPS where researchers may use all archives (thus referring to the whole population of residents in Italy) to investigate issues related to labour market outcomes, income distribution and effects of specific welfare transfers.

a large set of outcomes (concerning, e.g., public budgets, labour market outcomes, health conditions, educational divides due to distance learning, gender and racial inequality, environmental consequences; see Brodeur et al., 2020, for a detailed review).

A specific question concerns the effect of the pandemic on income inequality and poverty (Blundell et al., 2020). Wisdom from economic historians suggests that epidemics are inequality-reducing (due, e.g., to the shortage of labour supply that fosters wage increases and the dissolution of great fortunes; Scheidel, 2018), but Furceri et al. (2020) find that major epidemics from the 1900s onward raised income inequality in the medium-term, hurting the employment prospects of low-skilled individuals.

Apart from these suggestions on possible medium- and long-term effects, some studies have recently inquired into the immediate 'short-term' effect of the COVID-19 pandemic and the related emergency benefits introduced by governments on workers' and households' income distribution. However, the ability to answer this research question is strongly limited by data availability since, as is known, representative surveys on population incomes and living conditions are usually delivered with about two years delay from the moment of the interview[20].

To overcome this limit, some studies used real-time surveys (e.g., Adams-Prassl et al., 2020; Galasso, 2020; Menta 2021; Clark et al. 2020), big data on bank records (Aspachs et al. 2020), or labour market outcomes (Berman, 2020, and Cortes and Forsythe, 2020). However, these kinds of data fail in being representative of the whole population, thus not allowing researchers to provide a thorough picture of changes in individuals' and households' income distribution.

Other noteworthy studies have relied on existing microdata on income distribution, collected in past years and representative of the national population before the onset of the pandemic, to simulate counterfactual scenarios about the changes in the various income sources engendered by the spread of the new coronavirus, aligning past microdata with aggregate information on changes in labour market outcomes since the onset of the pandemic (see, e.g., Bronka et al., 2020, and Brewer and Tasseva, 2020, for the UK; Beirne et al., 2020, and O' Donoghue et al., 2020, for Ireland; Li et al., 2020, for Australia; Figari and Fiorio, 2020 and Gallo and Raitano, 2020 for Italy)[21].

Finally, it should be noted that consumption-based estimates of absolute poverty in Italy in 2020 have been recently delivered by the National Statistical Institute (ISTAT, 2021), showing a dramatic rise of the share of households with expenditure below the poverty line (from 6.4% to 7.7% from 2019 to 2020). However, consumption-based poverty seems to overestimate the rise in economic hardship in extraordinary periods – such as the pandemic period – where consumption might be reduced both by a decrease in household resources and by the effect of the lockdown and the social distancing measures which have prevented some households with adequate resources from maintaining the consumption habits they had before the outbreak of the pandemic. While the first factor clearly signals worsening household socio-economic conditions, a reduction in household expenditure due to the impossibility of continuing some types of consumption activities (e.g. for tourism or restaurants) or the choice of increasing precautionary savings in uncertain times are hardly significant as signals of worsened economic conditions.

[20] The only exceptions regards Germany and the UK thanks to the release of an ad-hoc timely wave of the GSOEP and the Understanding Society longitudinal survey, respectively. Among the studies which used this ad hoc survey, see Bruckmeier et al. (2021), Benzeval et al. (2020) and Witteveen (2020).

[21] Relying on past surveys on employees, other studies simulated, instead, labour market outcomes and individual wages, making assumptions about the capacity of individuals to work under social distancing measures (Duman, 2020, for Turkey; Bonacini et al., 2020b, for Italy; Palomino et al., 2020, for 29 European countries).

As already remarked in the previous sections, an exhaustive picture of poverty trends – in normal times and, even more so, in extraordinary periods – would require the joint considerations of multiple indicators of absolute and relative poverty, based both on income and consumption (and, where possible, wealth).

1.4. Poverty, social exclusion and eligibility for minimum incomes: what linkages?

Alleviating poverty and social exclusion represents one of the key objectives – probably the most important – of minimum income (MI) schemes. Although the EU Commission defined poverty standards and appropriate social indicators over time, EU Members often adopted their own (more or less implicit) poverty definitions when implementing national minimum income schemes.

This national approach engendered MIS which may tend to miss their aim of reducing poverty and social exclusion. According to the existing literature on the topic, this outcome is related to numerous reasons which can be resumed in two broad issues: the phenomenon of non-take-up and the (implicit) poverty definition adopted in the policy design.

Non-take-up of social benefits consists of an incomplete benefit receipt among those who are actually eligible to claim the same benefit. While this phenomenon is a key topic in the literature on the welfare state, it was largely neglected in the academic literature until the early 1990s (van Oorschot, 1991) and it only started to spread in the last two decades (see, amongst others, Currie, 2004; Hernanz et al., 2004; Matsaganis et al., 2014; Ferrarini et al., 2016).

In most cases, the non-take-up of social assistance benefits was found to be related to red tape or other administrative barriers, such as the request for additional (out-of-context) information or administrative delays (Hernanz et al., 2004; Mazet, 2014; Frazer and Marlier, 2016a; Daigneault and Macé, 2019). Another important source of non-take-up lies in social stigma (Moffit, 1983; Hancock et al., 2004; Baumberg, 2016; Chambers et al., 2016; Van Mechelen and Janssens, 2017), as well as the lack of information and awareness among potentially eligible individuals (Matsaganis et al., 2010; Lamont et al., 2014; Mazet, 2014; Bhargava and Manoli, 2015; Eurofound, 2015). Several studies also analysed demographic characteristics of individuals who tend to remain out of social assistance. Along with individuals with low levels of education (Currie, 2004; Hernanz et al., 2004; Fuchs, 2009; Bargain et al., 2012), females (generally with children), people with disabilities, and migrants often present the highest rates of non-take-up (Sohrab, 1994; Currie and Grogger, 2002; Grogger and Michalopoulos, 2003; Matsaganis et al., 2010; Vinck et al., 2018). To be clear, non-take-up may also depend on the expected benefit amounts (Riphahn, 2001; Bruckmeier and Wiemers, 2012; Arrighi et al., 2015), which in turn is somewhat related to the measure generosity[22].

As to the issues related to the (implicit) poverty definition adopted in the MI scheme, they can be mainly observed looking at two different aspects of the measure: benefit adequacy (or generosity) and the coverage of the poor population (or low-income targeting). While the latter clearly represents a comparison between the implicit poverty definition adopted in the MI scheme and a standard poverty definition, the relationship with the first indicator may not appear straightforward. Nonetheless, the adequacy of a MI scheme can be interpreted as a proxy for the poverty threshold considered by policymakers. When setting income eligibility criteria of a MI scheme, policymakers (more or less implicitly) make a substantial decision on who must be considered in poverty conditions. In other

[22] It should also be noted that part of the non-take-up of social benefits may be due to a tendency to underreport these incomes in survey data (Bruckmeier et al., 2019).

words, people who are eligible for the MI (i.e., have a household income below the eligibility threshold) should be considered as poor, while those who do not satisfy the means-test conditions are expected to already afford adequate standards of living. This interpretation is confirmed by the fact that, once the income eligibility threshold is defined, the benefit amount is generally calculated through a top-up mechanism providing recipients with a benefit equal to the difference between the eligibility threshold and the household income.

1.4.1. Adequacy of MI schemes

The adequacy of MI schemes is generally assessed by comparing the maximum benefit amount to a 'poverty' threshold (or better, an adequacy benchmark) for model families. As emphasised by Frazer and Marlier (2009), however, there is a lack of clarity about what should be deemed adequate. According to the European Parliament (2010), the adequacy benchmark for MI schemes must be (at least) equal to the AROP threshold, thus 60% of the national equivalised median income. The same threshold is adopted, amongst others, by Cantillon et al. (2013) and Natili (2019a), while, for instance, Immervoll (2010) and Nelson (2010) use the median income and average earnings respectively as adequacy benchmarks. An alternative approach is instead proposed by Figari et al. (2013), who assess the adequacy level of MI schemes by comparing the entire disposable income (post social transfers) of those entitled to MI to the national equivalised median income. In the latter case, then, the greater the share of individuals entitled to MI having an equivalised income close to the median (once the benefit is included in the income itself), the higher the MI adequacy.

As stated by Frazer and Marlier (2016a and b), the benefit inadequacy of MI schemes emerged as a major concern for EU countries, because all of them (Denmark and Ireland excluded) systematically reported MI benefits below the AROP line. The evidence slightly differs according to the model family analysed, but the authors identify a clear pattern across EU countries in terms of adequacy degree of social assistance benefits. In particular, the benefits tend to be close to the AROP line (over 65% of the poverty threshold) in the Scandinavian and continental countries (e.g., Sweden, the Netherlands, Germany, France), whereas they have an average adequacy (between 40% and 65% of the AROP threshold) in the Mediterranean and Baltic countries (e.g., Spain, Portugal, Estonia), and a low level of adequacy (below 40% of the AROP line) in most eastern European countries (Van Mechelen et al., 2011; Frazer and Marlier, 2016a)[23]. Similar results are illustrated by Marchal et al. (2014) and by Figari et al. (2013) except for the fact that, in the latter analysis, Germany, Austria, and Luxembourg present low levels of adequacy (probably because of the different measurement of the benefit adequacy adopted). The issue of the benefit inadequacy of MI schemes appears even more concerning if we look at its evolution over time. Although level of erosion of benefits varied substantially between different countries and periods, and by the function of benefits concerned, social assistance levels have by and large eroded less since 1990s (Van Mechelen and Bradshaw, 2012; Cantillon et al., 2013). Using the AROP threshold as a benchmark and referring to the 1992-2009 period, Van Mechelen et al. (2011) show that net social assistance benefits were severely eroded (reduction greater than 30%) in Czechia, Estonia, and Poland, and slightly eroded in Austria, Finland, France, Norway, Sweden, Italy, Luxembourg, Spain, and Portugal. The authors however report a positive and significant trend (increase greater than 10%) in the adequacy of social assistance benefits over time for six EU countries: Hungary, Lithuania, Ireland, Slovenia, the Netherlands, and Latvia.

[23] Note that the study by Frazer and Marlier (2016a) does not consider the Italian Citizenship Income which was introduced in 2019 – after a first, less generous, MI scheme (called Inclusion Income, introduced in 2018) – and whose benefit amount is rather close to the AROP thresholds, especially for single-member households (Jessoula et al., 2018 and 2019).

Studies about the adequacy of MI schemes based on more recent data overall confirm the considerations seen above with few exceptions. Measuring the benefit adequacy by means of the net income of MI recipients as a share of the AROP line, the European Commission (2020b) shows that the Dutch and Irish MI schemes have around 100% adequacy level in 2017. Also, the European Commission (2020b) points out that some EU countries significantly improved MI adequacy during the last decade, such as Malta, Cyprus, and Luxembourg, while almost the same countries report the worst adequacy levels (e.g., Romania, Bulgaria, Hungary). OECD data on the adequacy of MI schemes of EU countries for the year 2020[24] provides similar results (Denmark, Luxembourg, Ireland and the Netherlands tend to present the most adequate MI schemes, while Romania, Bulgaria, Slovakia and Latvia the least adequate ones) with some important differences by model family. For instance, Polish and Lithuanian MI schemes have an average level of adequacy if we look at single persons, while these MI benefits become very close to the AROP line for couples with two children. Interesting differences across countries concerning benefit adequacy arise when considering housing benefits in the benefit of MI schemes[25]. Once housing benefits are included, further countries tend to present an adequacy level very close to 100% of the AROP line, such as Finland and Malta for single persons, and Germany, Lithuania, Slovakia and Slovenia for households with two children.

This most likely happens because the implicit equivalence scale of benefits of these MI schemes (which, of course, mirrors political priorities of each country) is more favourable to households with many children with respect to the OECD modified equivalence scale, which is adopted in the AROP definition. Along with Romania, Bulgaria, and Hungary, OECD data show that Italy is also characterised by a particularly inadequate MI scheme[26]. These statistics, however, do not consider the new Italian MI scheme introduced in 2019 (called *Reddito di Cittadinanza* or Citizenship Income), which is much more generous than the previous one (Jessoula et al., 2019), and has a maximum benefit amount for a single-person household in line with the AROP threshold.

1.4.2 Coverage of the poor population

Low-income targeting represents the ability of MI schemes to 'cover' the poor population. As also discussed extensively in Chapter 3, low-income targeting is then generally assessed by analysing the potential overlap between the population eligible for the MI scheme and the population in poverty conditions (e.g. in AROP or AROPE status). Again, this means that the low-income targeting of MI schemes can be read as an indicator of how similar the poverty definition adopted in the MI benefit design and the AROP definition are to each other. Note that, consistent with the indicators shown in Chapter 3, low-income targeting can be also assessed by comparing actual MI recipients to the AROP population, but this measure strongly depends on the non-take-up of the MI benefit. For the sake of simplicity, we focus here only on hypothetical low-income targeting, thus looking at the population eligible for MI schemes only.

Relying on country experts' opinions, Frazer and Marlier (2016a) highlight that the coverage of the poor population by the MI schemes appears a less problematic issue with respect to their benefit adequacy, because 16 EU countries out of 27 present MI schemes with eligibility conditions ensuring 'fairly comprehensive' coverage. Only in eight countries (Bulgaria, Greece, Spain, Croatia, Italy, Latvia,

[24] OECD data: Adequacy of Guaranteed Minimum Income benefits. Available at: https://stats.oecd.org/Index.aspx?DataSetCode=IA.

[25] OECD, Adequacy of minimum income benefits. Available at: https://data.oecd.org/benwage/adequacy-of-minimum-income-benefits.htm.

[26] Gallo (2021) highlights that the regional MI schemes actually played an important role in improving the benefit adequacy of the national scheme in Italy. Hernández et al. (2020) show that the regional MI schemes appear crucial when evaluating the adequacy of the national MI scheme in Spain too.

Portugal, and Romania), did coverage turn out to be very limited in 2015. It has to be said, however, that the coverage improved from 2009 to 2015 in some countries (Austria, Belgium, Cyprus, Finland, Luxembourg, Malta, and Slovenia), but decreased in some others (Denmark, France, Hungary, Portugal, and Romania) during the same period (Frazer and Marlier, 2016a).

By means of microsimulations on the EUROMOD model for 14 EU countries, Figari et al. (2013) show that the coverage rate of the AROP population is never over 75%: it varies (widely) from around 20% in Austria, Denmark and Germany to around 70% in Poland. The coverage rate of MI schemes improves substantially when the authors define the poor population by referring to a lower AROP threshold (40% of the national equivalised median income). In this case, only two MI schemes (the Danish and German ones) are not able to cover at least half of the poor population, whereas four countries (Slovenia, Portugal, Poland, and Luxembourg) present a coverage rate of around 90%. Partially different results provided by Konle-Seidl (2021) show that France and Germany have the highest coverage rates, referring to the OECD Social Benefit Recipients (SOCR) database for the year 2016 and comparing the MIS recipient households (not necessarily poor) with the total number of income-poor working-age households.

Ferrarini et al. (2016) define the degree of targeting in a different way which allows to account for possible regressive distribution of social transfers. Specifically, their targeting indicator ranges between -1 and +1, where positive values indicate benefits concentrated in the lower half of the income distribution (i.e., high level of targeting) and negative values indicate that they concentrate in the upper half of the income distribution (i.e., low level of targeting). By means of this definition and using LIS data, Ferrarini et al. (2016) show that, among EU countries, Romanian and Estonian social transfers are those with the lowest levels of low-income targeting. Similarly to what we have seen with benefit adequacy, Hernández et al. (2020) and Gallo (2021) recently point out that regional MI schemes also significantly improve the AROP population coverage of the national MI schemes in Spain and Italy. These pieces of evidence are probably related to the fact that, in countries characterised by strong territorial differences in terms of purchasing power and income levels like Spain and Italy (Iammarino et al., 2018), regional MI schemes make it possible to 'correct' national eligibility conditions.

1.4.3 A deepening of the eligibility criteria of European MI schemes

Several studies, based on different methodologies, tried to shed light on the reasons explaining the imperfect targeting of the AROP population by MI schemes across EU countries. The main source of imperfect coverage rate lies in additional eligibility criteria on top of those relating to household incomes. Specifically, they are often related to individuals' nationality/citizenship and/or residence, age requirements, the interaction with other social benefits, and the lack (or limited amount) of financial resources and assets (EMIN, 2015; Frazer and Marlier, 2016a; European Parliament, 2017; Marchal et al., 2021a; Maucher, 2020)[27]. Here, we explore these characteristics of MI schemes for the 27 EU Member States looking at information provided by the MISSOC (Mutual Information System on Social Protection) database (updated at July 1, 2020).

Nationality/ residence requirements

Table 1 shows that MI schemes of EU-27 countries never have strict **nationality requirement**s, but some nationality-based distinctions are implemented in **residence requirements** in 14 countries. Those with the most severe residence requirements are Italy and Denmark: the first requires for the MI

[27] A further reason of incomplete coverage/non-take-up of MI schemes is related to the degree of conditionality requested of recipients (Frazer and Marlier, 2016a). Our research on MISSOC database highlighted that all countries, except for Spain (where it is not specified), require some level of availability to be activated and/or willingness to work. On this issue, see also Chapter 3 and Natili (2019a).

entitlement that the individual be a legal resident in the country for at least ten years (permanently for at least two), while the second one requires residency for a minimum period of nine years out of the last ten years. Five years of minimum residence are required – for third-country nationals in general – for the MI entitlement in Austria, Bulgaria, Cyprus, and Luxembourg (the latter asks five years during the last 20), one year of minimum residence is required in Portugal and Spain, while Belgium, Czechia and Lithuania ask for a residence period of at least three months. Finally, Malta, Croatia, and Germany only ask foreigners to be permanently/habitually resident. Only 11 countries only require a legal residence in the country, two countries (Germany and Ireland) ask for a 'habitual residence', whereas the remaining 14 countries require a permanent/stable residence to be eligible for the MI scheme. In most cases, this requirement is necessary for the calculation of the regular housing costs of applicant households.

These residence requirements of MI schemes determine, as a consequence, the exclusion from social assistance of particularly vulnerable categories of the population, such as the homeless, Roma living in settlements, and migrants/people who are not legally resident (Frazier and Marlier, 2016). It has to be said, however, that given the known difficulty of surveying these populations (Tourangeau et al., 2014), it is unlikely that their poverty and deprivation conditions are somehow accounted for in official statistics. As regards two other particular categories of population – refugees and asylum seekers – while they were rarely adequately covered by MI schemes in 2015 (Frazer and Marlier, 2016a), their coverage significantly improved in recent years. In fact, in 2020, refugees are not excluded from MI benefits in any country (not specified in four countries) – but they may receive lower benefit rates– and asylum seekers are excluded in only five countries (Estonia, Greece, Luxembourg, Netherlands, and Austria) out of 27 (not specified in eight countries). Interestingly, Scandinavian countries and Germany adopted an alternative approach, providing asylum seekers (and refugees in Denmark) with an ad hoc benefit rather than access to the national MI scheme (Table 1).

Age requirements

Another source of incomplete coverage of MI schemes is their **age requirements**, which penalise young households in poverty. Also in this case, with respect to the situation illustrated by EMIN (2015) and Frazer and Marlier (2016a), we observe an overall improvement over time. Despite this, several exceptions are provided (e.g., for single parents, married persons, caregivers), while Cyprus still requires people to be 28 years old or more to claim the MI scheme, and France and Luxembourg require 25 years of age or more, some countries lowered their age requirements. In particular, people are now eligible for the MI scheme from 23 years old in Spain (previously 25 in most regions), from 18 years old in Slovakia and Malta (previously 25 and 23 respectively), and from any age in Sweden where there are no requirements in 2020. Conversely to this trend, the Danish MI scheme now has a particularly strict age requirement: people must be 30 years old or more (rather than 18) to claim the benefit if they do not attain vocational education.

Interaction with other social benefits

In some countries, the poor population also risks not being adequately covered because of the existing interaction between the MI scheme and other social benefits. In Czechia, Germany, Hungary, Netherlands, and Finland, the MI scheme represents a last resort assistance[28]. Thus, to be eligible, people must benefit from all the other social transfers which have precedence (Table 1). Of course, as a consequence of this 'mandatory path of social assistance', people may fall into AROP (or AROPE)

[28] As regard Germany, for instance, mainly two benefits precede the MI scheme: housing benefits and the child supplement (*Kinderzuschlag*) for low-income households (with children).

conditions before becoming eligible for the MI scheme. We also observe three cases (Hungary, Spain, and Ireland) of incompatibility between the MI scheme and other benefits existing in the national welfare systems.

Means-testing of real assets, financial resources, and durables

Finally, an important source of incomplete coverage of MI schemes is related to the **means-testing of real assets**, financial resources, and durables (generally vehicles) of the households. Incomplete coverage may stem from the fact that an "income poor but wealth non poor" household would be excluded from the minimum income even if the income test were set at the AROP threshold whenever the eligibility conditions for the MI also establish a further wealth test.

Table 1 underscores that all EU-27 countries provide a means-test of household real assets to assess the MI entitlement. In most cases, the value of the main residence is, however, excluded from means-testing (one summer residence is also excluded in Malta). This probably happens because, even considering real assets as a significant component of the household wealth, it is not inconsequential to assume that households could easily sell their main residence to cope with a temporary economic need or to become eligible to the MI scheme. The only countries where the main residence is always included into the household real assets are Denmark, Estonia, Greece, Poland, Portugal, and Sweden. However, the main residence may be cause of exclusion also in Bulgaria, Cyprus and Germany due to its size in m^2. As regards the maximum value of real assets allowed to be eligible for MI schemes, few countries (Greece, Italy, Cyprus, Hungary, Netherlands, Portugal, and Slovenia) provide precise thresholds and these vary in their levels of strictness across EU, ranging from €30,000 in Italy to €564,000 in Hungary. Along with real assets, financial wealth of households (generally consisting of bank or other accounts only for the poor population) is means-tested to assess the entitlement to the MI scheme in all EU countries, except for Bulgaria. The maximum value of financial resources allowed, when specified in the MISSOC database, depends on the household size, with the exception of Portugal. As expected, these thresholds are lower for single persons and higher for households with many members.

Looking at means-tests of durable goods owned by households, we observe a broader heterogeneity across EU-27 countries. In some countries (e.g., Belgium, Denmark, Spain, Portugal), no means-testing of durables is done to assess the MI entitlement. At the opposite end of the spectrum, to be eligible for the MI scheme in Greece, France, Latvia, and Lithuania, very thorough tests are carried out which, along with vehicles owned, consider other expensive expenditures like jewellery, clothes, and private school fees. In Italy, to be eligible for the Citizenship Income, people cannot own a boat, while several countries (e.g., Austria, Croatia, Finland) allow vehicles for work reasons. In general, having a car is allowed in the presence of disabled members or children in the household. One last point worth noting with regard to means-tests on household wealth is that they can vary even within countries in some EU Member States. The last column of Table 1 shows that differences occur by Länder in Austria, by region in Belgium, and by municipality in Denmark, Estonia, Finland, and Sweden. This territorial heterogeneity of eligibility criteria, on the one hand, allows for different purchasing powers across country to be taken into consideration, for instance between rural and urban areas, but, on the other hand, may affect the coverage of the MI scheme at national level.

Means-tests of the household financial resources and the vehicles owned somehow mirror an attempt to target the MI scheme to materially deprived individuals. In particular, policymakers seek to control for two items of the severe material deprivation index: facing unexpected expenses without borrowing or other help, and having access to a personal car. However, two main issues stand out here. First, a few countries explicitly providing the maximum value of financial resources allowed to be eligible for the

MI scheme also adopted thresholds which are probably too high to effectively assess the affordability of households to face unexpected expenses[29]. Second, when collecting answers on material deprivation items during the EU-SILC survey, the interviewer has to explore the motivation for not having a car for private use, disentangling "cannot afford" from "other reasons". To assess the actual condition of material deprivation, this information seems particularly essential, but the same information is not collected when people claim MI benefit.

a. The phenomenon of false positive cases

Another aspect worth mentioning that compounds the situation of benefit inadequacy and incomplete coverage of the poor population by almost all MI schemes is the phenomenon of false positive cases (i.e., those entitled to the MI scheme but not poor). According to Figari et al. (2013), this phenomenon may depend on a number of factors which are overall related to a difference between the poverty definition adopted in the MI scheme and the AROP one. For instance, the (implicit) equivalence scale adopted to define the MI benefit may differ from the OECD-modified equivalence scale. Figari et al. (2013) highlight that this issue seems to be more concerning in Poland and Finland, while it is almost absent in Austria, Portugal, and Slovenia. Gallo (2021) shows that this phenomenon is limited in Italy too, but regional MI schemes – because of their generosity with respect to the national one – significantly increase the number of false positive cases. The same author underscores that the opposite occurs when focusing on severe material deprivation rather than the AROP definition of poverty: regional MI schemes reduce, in the territories where implemented, the number of false positive cases reported by the national MI scheme from 65% to 60%[30].

b. Poverty benchmarks at national level

To conclude our analysis, the (implicit) poverty definition adopted in MI schemes turns out to be generally more strict than the AROP definition across EU-27 countries because of various reasons, e.g. an income threshold lower than the AROP line and the definition of further eligibility conditions based on residence, wealth, durables.

In addition to the observed erosion of MI schemes adequacy over the last two decades in most of EU countries, the above detachment between poverty definitions and eligibility for MI schemes became particularly true after the Great Recession. To deal with stricter budget constraints, national governments seem to have accepted focusing the social assistance system only on the income support of individuals and households reporting severe economic conditions rather than those 'only' at risk of (transiting into) poverty. The linkage between MI schemes and EU definitions of poverty appears even slighter when referring to multidimensional definitions like material deprivation or social exclusion (Nelson, 2012). On the basis of our research on the 2020-updated MISSOC database, only six countries explicitly mention these poverty conditions in the basic principles of their MI schemes. Finland, Greece, and Italy specify that one of the aims of their MI schemes is to tackle both poverty and social exclusion. The Slovenian MI scheme mentions the status of material deprivation as a condition of eligibility. Luxembourg and Portugal decided to include the social inclusion target in the name of their MI schemes, calling them "Social inclusion income" and "Social inclusion benefit" respectively.

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[29] The extent of the unexpected expenses is equal to the national AROP threshold divided by 12.

[30] Gallo (2021) underlines, however, that the extent of the phenomenon of false positive cases when looking at the severe material deprivation as poverty definition is about seven times greater with respect to the extent of the same phenomenon when adopting the AROP definition (twice as high if adopting the AROP definition at 40% of the median). Also, the coverage of the severely materially deprived population appears lower than the AROP population one in all simulated MI schemes. Similar evidence on the non-coverage of AROPE or severely deprived people is provided by (Maquet et al., 2016).

The poverty thresholds implicitly adopted in MI schemes of EU countries are then lower than the AROP one. But by how much? And, in particular, what are the alternative benchmarks at national level? Bradshaw and Mayhew (2011) and Frazer and Marlier (2016a and b) highlight that the approach of the majority of countries is related to establishing minimum living standards through the definition of reference budgets or absolute poverty lines. However, in several countries, the definition of these standards appears rather arbitrary and mainly based on political decisions[31]. In some other countries, the reference poverty threshold is still defined by the policymakers, but they take account of cost of living indexes (Cyprus, Czechia, Finland, Malta, Poland, Portugal, Sweden, and Slovenia) or the level of existing social protection minima like minimum wage or old-age benefits (Spain, France, Luxembourg, and Netherlands)[32]. In Germany, the benefit level is related to the expenditure of lower-income groups measured by survey data, while the benchmark was initially defined by considering 50% of median equivalised income during the last three years in Denmark (EMIN, 2015; Frazer and Marlier, 2016a).

Italy is the only country that recently tried to mimic the AROP threshold in the income eligibility criteria of the national MI scheme. In fact, the income threshold is equal to €9,360, which was the Italian AROP threshold in 2013 (the year when the first proposal of Citizenship Income was presented in the political arena)[33]. Along with the absence of indexing to actual prices, this attempt nonetheless presents several issues. First, although the MI equivalises income up to the €9,360 level, the monetary eligibility threshold of the Italian MI scheme does not rely on the Eurostat-defined disposable household income, but on the household value of ISEE, that is a complex indicator combining household income and wealth (valorised at 20% of its value); in addition, as noted, further eligibility requirements related to housing and financial wealth are established. Moreover, the equivalence scale adopted for the MI benefit definition is different from the OECD-modified one and is less favourable to households with children in general (the scale attributes 1 to the household head, 0.4 to other members aged at least 18 and 0.2 to minor household members, with a maximum value of the scale equal to 2.1 or 2.2 if there is a disabled member). Because of this decision, the MI scheme appears fully adequate for single persons only, while it becomes less and less adequate for households with many members.

[31] To be noted, national institutes/offices of statistics of almost all EU-27 countries tried over time to define subsistence levels which avoid absolute or extreme poverties (generally based on household consumptions), but these reference thresholds have been quite rarely implemented by governments in the national MI schemes (Frazer and Marlier, 2009; EMIN, 2015).

[32] To this list of countries, ICF and IRS (2019) recently add Latvia and Lithuania as, in the setting of MI benefit levels, they respectively refer to the household minimum income and a reference consumption basket.

[33] Note, however, that in the Italian public debate the Citizenship Income is instead considered as a tool to fight absolute poverty that is, however, measured in Italy by looking at the household expenditure instead of income and wealth (see Section 1.2). Furthermore, the value of the Citizenship Income is not differentiated by area of residence, while, as mentioned, the Italian absolute poverty lines differ according to the cost of living in the different areas of the country.

Table 1: Main conditions and eligibility criteria of MI schemes of EU Member States

Country	Nationality requirements	Residence requirements	Inclusion of refugees and asylum seekers	Age requirements	Exclusion in case of entitlement to other social benefits	Means-test on real assets	Means-test on financial resources	Means-test on durables	Difference at territorial level
Austria	No	Permanent residence required. At least 5-year residence for EEA-citizens and third-country nationals	Refugees eligible, asylum seekers not eligible	No	Yes	Yes	Yes	Yes (car is allowed for occupation or disability reasons only)	Yes, by Länder
Belgium	No	Permanent residence required. At least 3-month long right of residence for non-Belgian citizens	Refugees are eligible. As for asylum seekers, it is not specified	Aged 18+ (except caregivers, pregnant women, married persons)	No	Yes (with some exemptions on the value of the owned house)	Yes	No	Yes, at regional level
Bulgaria	No	Permanent (5-year minimum) residence required	Both refugees and asylum seekers eligible	No	No	Yes (test on the number of rooms; no property purchased in the last 5 years)	No	No	No
Croatia	No	Permanent residence required for non-Croatian citizens only	Both refugees and asylum seekers eligible	No	No	Yes (main residence excluded; entitlement after assessment of owned properties and their possible sale)	Yes	Yes (car is allowed for occupation or disability reasons only)	No
Cyprus	No	Permanent (5-year minimum) residence required	Refugees are eligible. As for asylum seekers, it is not specified	Aged 28+ (except caregivers, married or disabled persons, single parents)	No	Yes (total properties cannot exceed €100,000 and owned property of residence cannot exceed 300 m2)	Yes (monetary assets cannot exceed €5,000 for one individual plus €1,000 for every dependant)	No	No

Czechia	No	Permanent residence required. At least 3-months residence for EU citizens	Asylum seekers are eligible. As for refugees, it is not specified	No	The benefit has to come as last resort	Yes (main residence excluded)	Yes	Yes (car is allowed in case of children or disability only)	No
Denmark	No	Third-country nationals must be resident for a minimum period of 9 years within the last 10 years	Both refugees and asylum seekers grant ad hoc benefits	Aged 30+ (or aged 18+ if vocational education attained)	No	Yes (No assistance if claimants own sufficient property to cover their financial needs)	Yes	No	Yes, at municipality level
Estonia	No	Legal residence required	Refugees eligible, asylum seekers not eligible	No	No	Yes (entitlement after assessment of owned properties and their possible sale)	Yes	Yes	Yes, at municipality level
Finland	No	Permanent residence required (but need for assistance is evaluated case by case)	Refugees eligible, while asylum seekers grant ad hoc benefit	No	The benefit has to come as last resort	Yes (main residence excluded)	Yes	Yes (car is allowed in case of children or occupation only)	Yes, at municipality level
France	No	Stable and effective residence required	Both refugees and asylum seekers eligible (in some conditions)	Aged 25+ (or aged 18+ if young worker or single parent)	No	Yes	Yes	Yes (test on vehicles, jewellery, and other goods)	No
Germany	No	Habitual residence required. Foreigners must have the right of residence or an occupation	Refugees eligible, while asylum seekers grant ad hoc benefit	Aged 15+	The benefit has to come as last resort	Yes (main residence excluded if smaller than 90 m2 + 20m2 for each additional member)	Yes (monetary assets cannot exceed €60,000 for a single household)	Yes (an appropriate vehicle is exempt for jobseekers)	No

Greece	No	Legal and permanent residence required	Refugees eligible, asylum seekers not eligible	Aged 18+	No	Yes (total real assets cannot exceed €90,000 for one individual and €150,000 for larger families)	Yes (monetary assets cannot exceed €4,800 for one individual and €14,400 for larger families)	Yes (car value cannot exceed €6,000, no private schools for children nor domestic workers)	No
Hungary	No	Legal and permanent residence required	Refugees are eligible. As for asylum seekers, it is not specified	Aged 18+	The benefit has to come as last resort. Incompatible with child benefits	Yes (main residence excluded; total real assets cannot exceed €564,000)	Yes	Yes (car is allowed for disability reasons only)	No
Ireland	No	Habitual residence required	Both refugees and asylum seekers eligible	No	Incompatible with social insurance payments	Yes (main residence excluded)	Yes	Yes (test does not include durables which are used and enjoyed by the claimant)	No
Italy	No	Legal (10-year minimum) and permanent (2-year minimum) residence required	Both refugees and asylum seekers eligible	No	No	Yes (main residence excluded; total real assets cannot exceed €30,000)	Yes (monetary assets cannot exceed €6,000 for one individual and €10,000 for larger families)	Yes (no cars/motorcycles purchased in the 6/24 months prior the claim)	No
Latvia	No	Permanent residence required	Both refugees and asylum seekers eligible	No	No	Yes (main residence excluded)	Yes	Yes (test on vehicles, clothes, and other goods)	No
Lithuania	No	Legal (3-months minimum) residence required for non-employed EU or EFTA citizens	Not specified	No	No	Yes	Yes	Yes (test on vehicles, jewellery, and other goods)	No
Luxembourg	No	Legal residence required. At least 5-year residence (during the	Refugees eligible, asylum seekers not eligible	Aged 25+ (pregnant women, caregivers, persons	No	Yes	Yes	No	No

		last 20 years) for third-countries nationals		incapable of work)					
Malta	No	Legal and permanent residence required for non-Maltese citizens	Both refugees and asylum seekers eligible	Aged 18+	No	Yes (main residence and one summer residence excluded)	Yes (monetary assets cannot exceed €14,000 for one individual and €23,300 for larger families)	Yes (only one car is allowed)	No
Netherlands	No	Legal residence required	Refugees eligible, asylum seekers not eligible	Aged 18+	The benefit has to come as last resort	Yes (main residence excluded if its value is less than €52,500)	Yes (monetary assets cannot exceed €6,225 for one individual and €12,450 for larger families)	Yes	No
Poland	No	Legal residence required	Both refugees and asylum seekers eligible	Aged 18+	No	Real property and movable assets are not taken into account, but in case of a flagrant disproportion between income and the material status of the claimants the benefit may be refused.	No		
Portugal	No	Legal residence required. At least 1-year residence for third-countries nationals	Not specified	Aged 18+	No	Yes (total real assets cannot exceed about €193,000)	Yes monetary assets cannot exceed €103.000)	No	No
Romania	No	Legal residence required	Not specified	Aged 18+	No	Yes (main residence excluded)	Yes	Yes	No
Slovakia	No	Legal residence required	Both refugees and asylum seekers eligible	Aged 18+	Yes	Yes (main residence excluded)	Yes	Yes (car is allowed for disability reasons only and if it worth less than €7,519)	No

Slovenia	No	Permanent residence required	Both refugees and asylum seekers eligible	No	No	Yes (total real assets, except the main residence, cannot exceed €50,000)	Yes (savings on current or other accounts cannot exceed €2,500 for one individual and €3,500 for larger families	Yes (car is allowed for disability reasons only and if it worth less than €11,261)	No
Spain	No	Legal (1-year minimum) residence required	Not specified	Aged 23+	Incompatibility with child benefits	Yes	Yes	No	No
Sweden	No	Legal residence required	Refugees eligible, while asylum seekers grant ad hoc benefit	No	No	Yes (sale of assets may be required before social assistance is granted, unless the need for assistance is temporary)	Yes, at municipality level		

Source: Authors' elaborations on information provided by the MISSOC database (updated at July 1, 2020).

2. THE EXTENT OF THE PHENOMENON

KEY FINDINGS

- Poverty indicators included in the portfolio of the Europe2020 strategy reported very different levels and time trends across EU countries (e.g., on the aggregate, while the AROP rate remained overall stable, the AROPE rate decreased by 13% over the last decade, mostly thanks to the important reduction observed in the SMD rate).
- Risks of poverty of population of EU-27 countries are clearly expected to rise due to the COVID-19 outbreak. Nevertheless, the literature still lacks clear evidence of the (actual) effects determined by the pandemic on the spread of poverty and social exclusion in the EU because of data limits when observing changing patterns of income distribution in real time.
- However, cross-country rankings in poverty indicators and, mostly, the groups of individuals which are defined as poor within each country, change when different poverty concepts or indicators are used or different methodological choices about how to measure poverty are taken.
- This evidence calls for great attention and transparency about the rules followed by researchers and, above all, by policymakers, in defining groups of people in need and in establishing the means testing conditions for being eligible for social benefits and minimum income.

This chapter provides the main updated evidence on the spread of poverty and social exclusion in EU countries according to the commonly used indicators at the EU level. To this end, in Section 2.1, cross-country rankings of EU countries with respect to several poverty and social exclusion indicators will be presented, also showing country patterns in the 2010-2019 period (the last available year in the Eurostat database). Then, in Section 2.2, the focus will be on EU country performances since the COVID-19 outbreak, and a detailed literature review of the studies which have investigated the effects of the pandemic on the extent of poverty will be presented. Finally, taking into account the caveats about poverty measures pointed out in Chapter 1, the main findings of simulation exercises carried out by using EU-SILC data will be shown in Section 2.3 in order to assess to what extent the groups of individuals identified as poor change when different indicators of poverty or social exclusion are used or different methodological choices about the AROP computation are made.

2.1. Evidence before the COVID-19 emergency

The year of the COVID-19 outbreak coincided with the end of the Europe 2020 strategy, adopted in 2010 as the EU landmark economic and social policy strategy to tackle the negative effects engendered by the Great Recession. Along with other important objectives (e.g. increasing the female employment rate, reducing the share of early school leavers), this strategy aimed to lift "at least 20 million people out of the risk of poverty and social exclusion" between 2008 and 2020 in the EU-27 (European Council, 2010)[34]. Since the last decade represents an adequate reference period to assess the extent of the analysed phenomenon, and the poverty definitions introduced together with the Europe 2020 strategy

[34] To be noted, at the time of the introduction of Europe 2020 strategy, UK was included in the list of Member States, while Croatia was excluded.

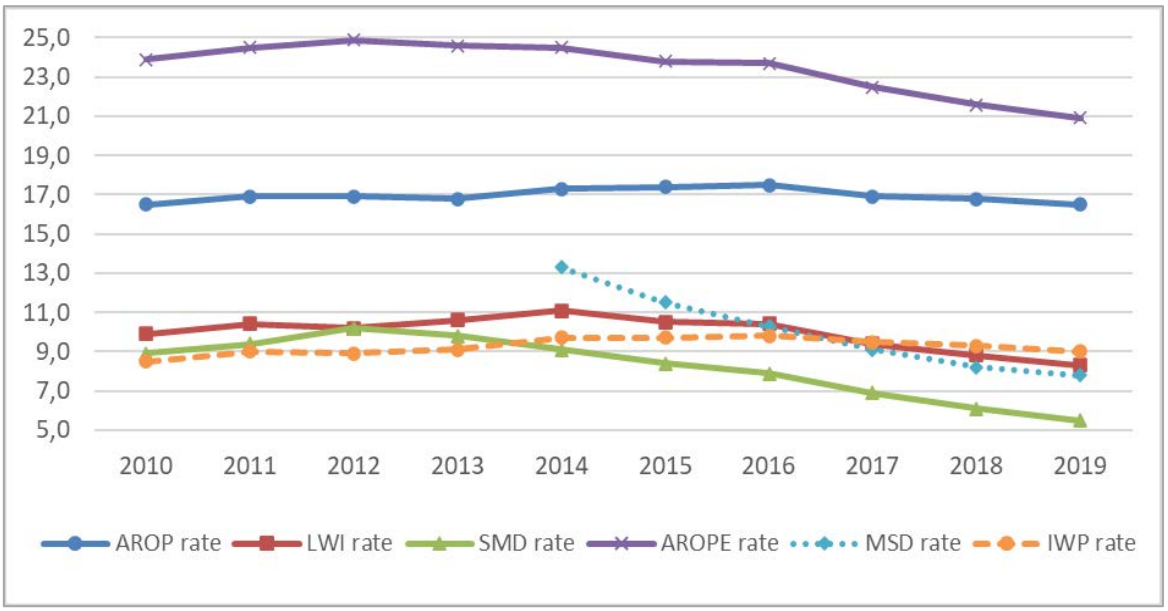
are the same as those discussed in the previous Chapter, we explore in this section the recent evolution of these social indicators across EU countries by means of aggregate statistics provided by Eurostat[35]. Analysing this trend appears of interest also for the new targets proposed by the European Commission's European Pillar of Social Rights Action Plan for 2030. In particular, the three headline social targets are the following: i) at least 78% of people aged 20 to 64 should be in employment; ii) at least 60% of all adults should participate in training every year; iii) the number of people at risk of poverty or social exclusion should be reduced by at least 15 million, including at least 5 million children.

2.1.1. Recent trends in poverty indicators in the whole European Union

Figure 1 shows the trends, observed looking at all the EU-27 countries from 2010 to 2019 (the last available year), of a list of poverty indicators included in the portfolio of the Europe2020 strategy (Social Protection Committee, 2015), which have been defined in Chapter 1: the at-risk-of poverty (AROP) rate, the (quasi-) joblessness or low work intensity (LWI) rate, the severe material deprivation (SMD) rate, the at-risk-of poverty and social exclusion (AROPE) rate, the in-work poverty (IWP) rate, and the material and social deprivation (MSD) rate, recently proposed by Guio et al. (2017).

Although the AROP, LWI, and SMD statuses should all represent the incidence of (different dimensions of) poverty and social exclusion in the EU countries, their trends appear quite dissimilar over the last decade (Figure 1). While the SMD rate substantially decreased from 2010 to 2019 (–38%) and reported the maximum value in 2012, the LWI rate had a lower reduction (–16%) and a delayed peak in 2014, and the AROP rate remained overall stable at around 17.0% along the same period. As the AROPE rate is a combination of the three indicators above, its trend was decreasing over the last decade, but to a limited extent (–13%). As regards the other two social indicators, in spite of the methodological differences with respect to the SMD rate (see Chapter 1 for details), the MSD rate shows a similar trend from 2014 to 2019, whereas the IWP rate is the only one indicator reporting a slight increase (+6%) during the last decade (its trend is decreasing since 2016 though).

Figure 1: Trends in poverty indicators in the EU-27 countries



Source: Authors' elaborations on Eurostat data.

[35] European statistical recovery dashboard. Available at: https://ec.europa.eu/eurostat/web/main/data/database.

Making an in-depth analysis of the observed dynamic of the AROPE rate in the EU-27 countries, Table 2 highlights that all the considered dimensions of poverty and social exclusion reported a decrease from 2014 to 2019. The individuals presenting only one type of disadvantaged status (AROP, LWI, or SMD) dropped from 70.7 to 65.7 million during the period analysed. Similarly, those presenting all three dimensions together (i.e., individuals at-risk-of poverty, severely deprived, and living in households with very low work intensity) decreased from 1.9% to 1.2% of the total population.

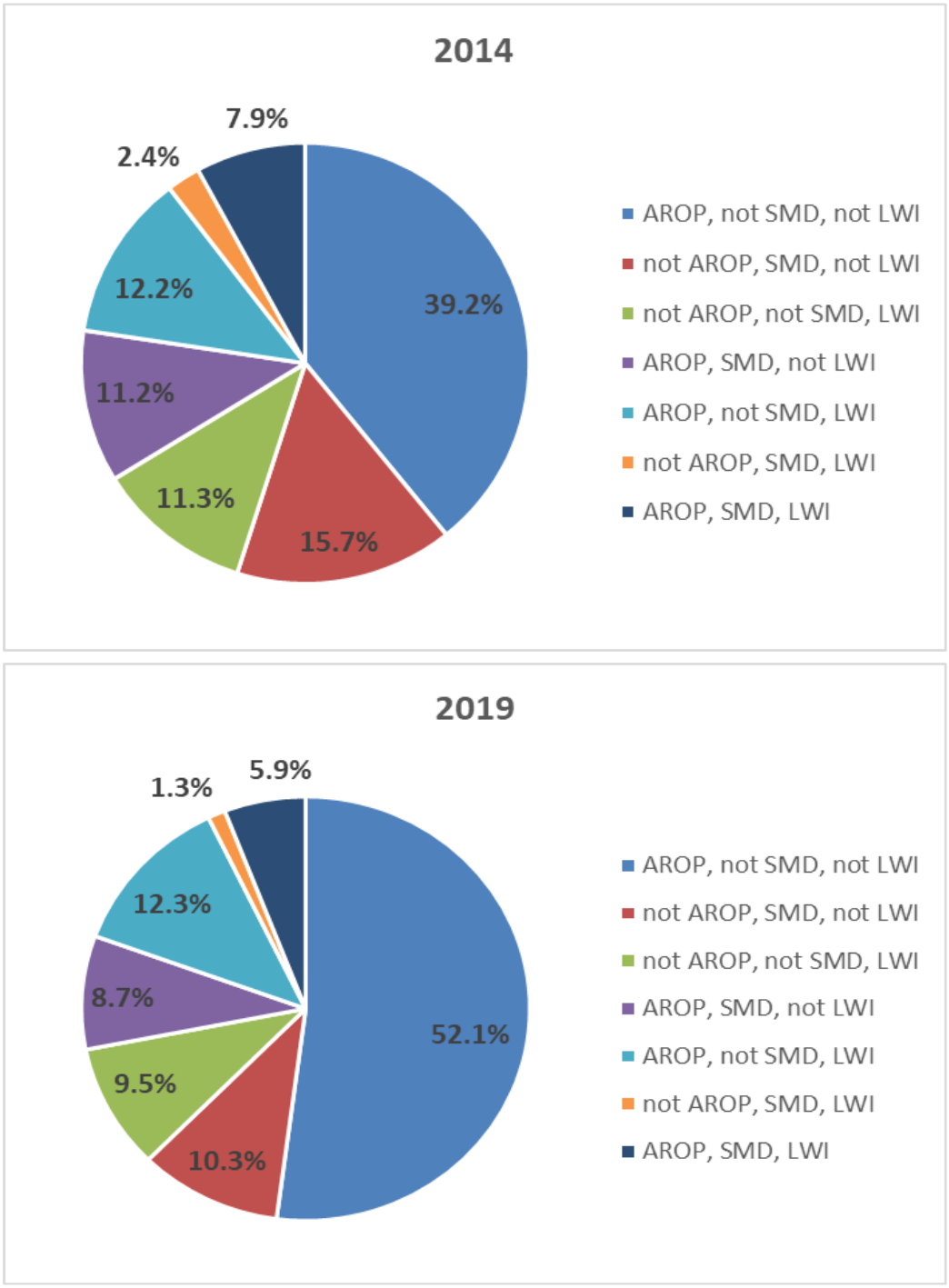
Table 2: Degree of poverty or social exclusion of inhabitants of EU-27 countries in 2014 and 2019

Degree of poverty condition	2014		2019	
	Millions of individuals	Percentage	Millions of individuals	Percentage
No poverty status	329.1	75.5%	346.1	79.1%
One type of poverty	70.7	16.2%	65.7	15.0%
Two types of poverty together	27.6	6.3%	20.3	4.6%
All types of poverty together	8.5	1.9%	5.4	1.2%
Total	435.9	100.0%	437.5	100.0%

Source: Authors' elaborations on Eurostat data.

Referring to the relative composition of the AROPE population and its change over time, Figure 2 provides two considerations worth mentioning. First, the share of individuals being AROP but not severely deprived nor in households with very low work intensity significantly rose during the last years, and they represent more than half of the total AROPE population in 2019. Second, the relative share of all other types of poverty or social exclusion dimensions have shrunk in the period analysed, with the only exception of those being in AROP and LWI status, but not in households living a severe material deprivation. Both considerations are however consistent with the observed increase in the in-work poverty rate and the spread of working poor cases in a large group of EU Member States (Fraser et al., 2011; Peña-Casas et al., 2019).

Figure 2: Relative composition of the individuals in AROPE status in the EU-27



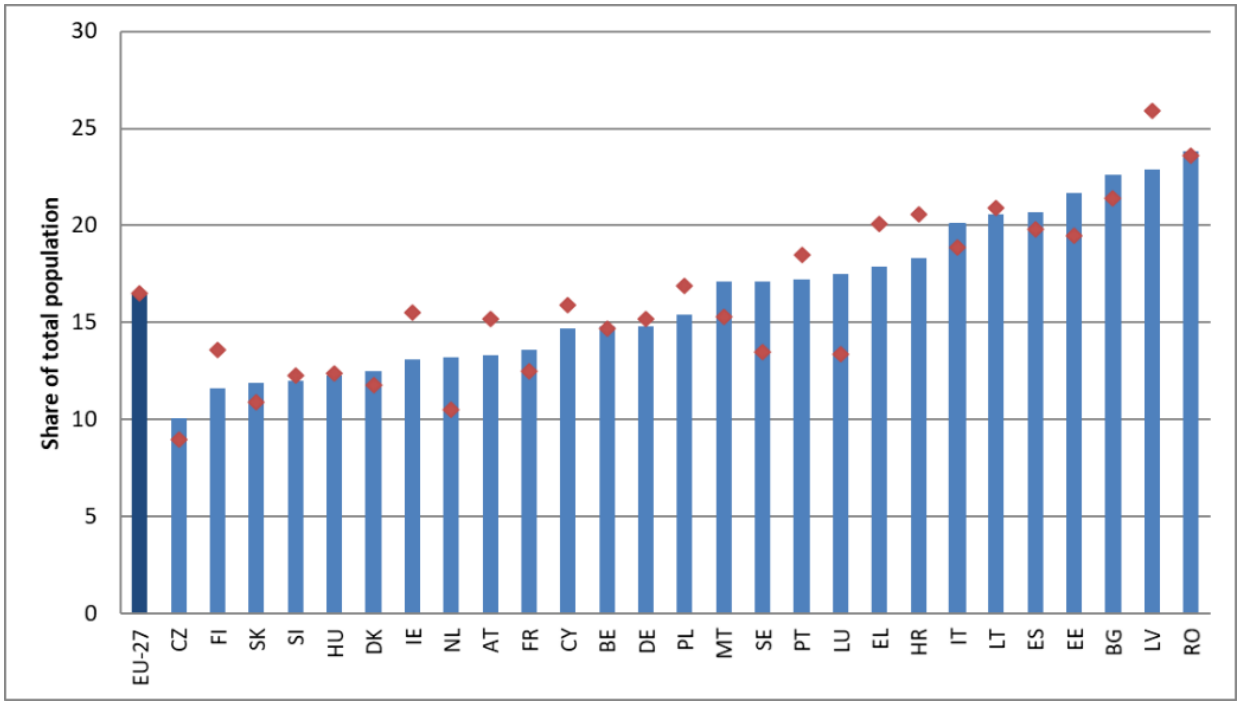
Source: Authors' elaborations on Eurostat data.

In conclusion, we can state that the aim of the Europe2020 strategy of reducing the number of individuals in AROPE status by 20 million of units until 2020 was not achieved, but it must be also said that a significant result has been attained, as the number of AROPE individuals fell by about 15 million units before the COVID-19 pandemic arrived.

2.1.2. Trends in poverty indicator by Member State

Figure 3 shows considerable heterogeneity in terms of AROP rate across EU countries. There are countries where the incidence of individuals in AROP is particularly low, such as Czechia, Finland, and Slovakia, and others (especially Romania, Latvia, and Bulgaria) in which the AROP rate was still quite above the EU-27 average in 2019. We also note significant heterogeneity in the recent trends in the AROP rate across EU countries. The AROP rate did indeed fall between 2008 and 2019 in 12 countries (Latvia, Ireland, Croatia, Greece, and Finland in particular), and remained the same overall in three countries (Hungary, Belgium, and Romania), but increased during the same period in another 12 countries (Luxembourg, Sweden, and Netherlands in particular). Interestingly, no clear pattern seems to emerge among EU countries when clustering them according to the standard welfare regimes classification (Esping-Andersen, 1990; Ferrera, 1996; Whelan and Maître, 2010; Urbé, 2012).

Figure 3: At-risk-of poverty rate (%) by EU Member State in 2008 (red marker) and 2019 (blue vertical bar)

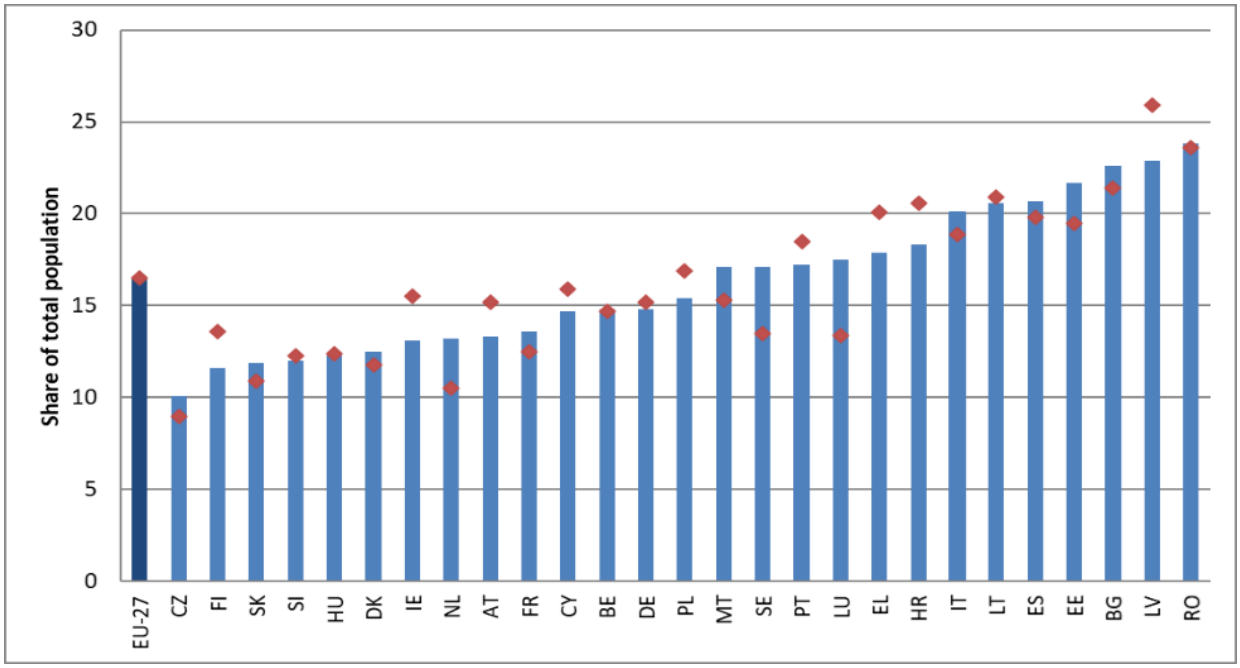


Source: Authors' elaborations on Eurostat data.

Note: Social indicators refer to 2010 rather than 2008 for Croatia (HR) and the aggregate EU-27.

Some considerations on the AROP rate, however, slightly change when referring to a more 'strict' AROP rate, i.e. when we adopt 40% of the national equivalised median income (rather than 60%) as the poverty threshold. First, in this case, Figure 4 shows that most of countries (15 out of 27) reported an increase in the poverty incidence from 2008 to 2019, so that the EU-27 average rose from 5.6% to 5.9% in the period analysed. Second, eight countries seem to change their trends of poverty spread over the last decade: Belgium, Czechia, and Malta (the latter in particular) now report a reduction in the share of AROP individuals, while Lithuania, Portugal, Austria, Hungary, and Greece actually observe a significant growth of the severe AROP conditions of their population. Different patterns across countries in AROP rates when based on a 60% or a 40% of the median poverty thresholds are clearly related to cross-country differences in the lower tails of the income distribution.

Figure 4: Severe at-risk-of poverty rate (%) by EU Member State in 2008 (red marker) and 2019 (blue vertical bar)

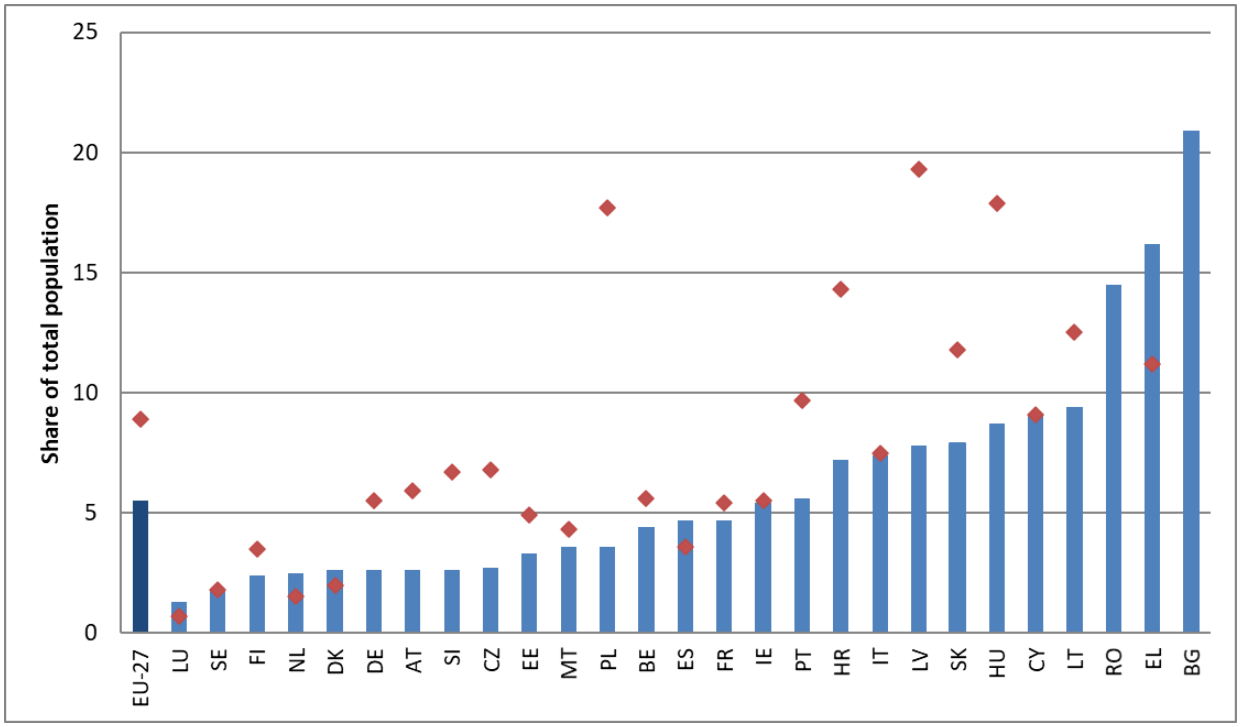


Source: Authors' elaborations on Eurostat data.

Note: Social indicators refer to 2010 rather than 2008 for Croatia (HR) and the aggregate EU-27.

The extent of the SMD rate was also quite unequal across EU Member States in 2019 (it is less than 2% in Luxembourg and Sweden and more than 15% in Greece and Bulgaria), but the dynamics observed between countries are much more similar in this case (Figure 5). Most countries report in fact a decreasing share of severely deprived individuals out of the total population (especially in Bulgaria, Romania, Poland, and Latvia), while four countries (Sweden, Ireland, Italy, and Cyprus) highlight no significant changes, and only five countries (Greece, Spain, Netherlands, Denmark, and Luxembourg) report an increase in the SMD rate from 2008 to 2019.

Figure 5: Severe material deprivation rate (%) by EU Member State in 2008 (red marker) and 2019 (blue vertical bar)



Source: Authors' elaborations on Eurostat data.

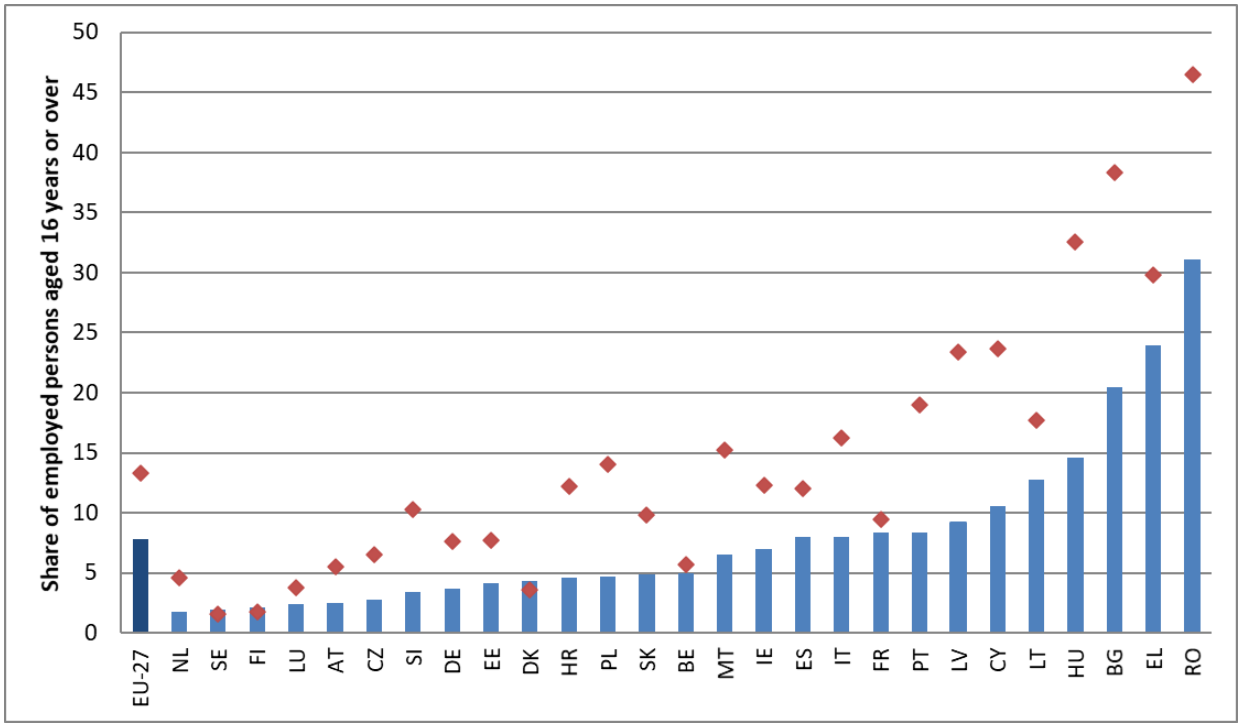
Note: Social indicators refer to 2010 rather than 2008 for Croatia (HR) and the aggregate EU-27. For the sake of readability, we removed values of the severe material deprivation rate in 2008 for Romania (32.7%) and Bulgaria (41.2%).

Moreover, an important path of convergence seems to take place in the EU-27 countries when looking at the SMD rate, since this indicator decreased more overall among the 'poorer' countries. Not by chance, the SMD rate is the only poverty and social exclusion indicator analysed here showing a significant reduction in the coefficient of variation among EU Member States from 2008 (0.94) to 2019 (0.77)[36]. With respect to the 2009 ranking of EU-27 countries by the SMD rate showed by Guio and Marlier (2017), the 2019 ranking remained unchanged overall, but for two cases: Poland was largely above the EU-27 average in 2009, while it was 1.9 percentage points below in 2019; Italy was slightly below the EU-27 average in 2009, while it was above in 2019.

Similar results occur when looking at the new MSD rate (Figure 6), except for the fact that in this case only three countries present an increase in this indicator (Sweden, Finland, and Denmark).

[36] To be noted, the SMD rate is the poverty indicator with the highest value of the coefficient of variation among EU-27 countries. In fact, in 2019, the across countries coefficient of variation of the various indicators of poverty and social exclusion is equal to 0.24 for the AROP rate, 0.33 for the LWI rate, and 0.25 for the AROPE rate.

Figure 6: Material and social deprivation rate (%) by EU Member State in 2014 (red marker) and 2019 (blue vertical bar)

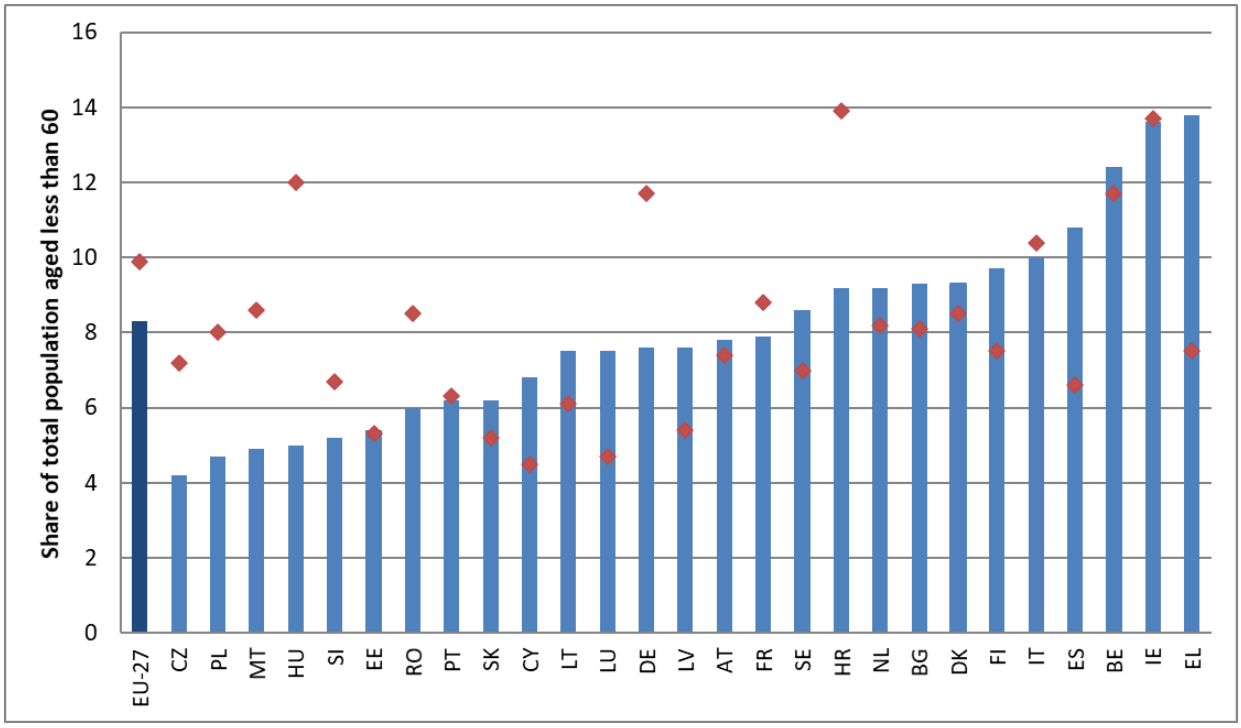


Source: Authors' elaborations on Eurostat data.

As regards the LWI rate, Figure 7 points out further wide heterogeneity across EU countries in the indicator dynamic from 2008 to 2019. In fact, despite the EU-27 average decrease during the last decade, only 10 countries (Hungary, Croatia, and Germany in particular) reported a reduction in the LWI rate. Conversely, three countries (Estonia, Portugal, and Ireland) kept the same value of LWI rate, and 14 countries (Greece and Spain in particular) had an important growth of this poverty indicator in the 2008-2019 period.

The interesting aspect which arises when analysing the ranking of EU-27 countries by the LWI rate is that it appears quite peculiar with respect to the ones observed for the AROP and SMD rates (Figures 3 and 5). According to the 2019 ranking illustrated in Figure 7, the 'least poor' countries in the EU-27 should be Czechia, Poland, and Malta, whereas among the 'poorest' countries we find Ireland, Belgium, Finland, and Denmark. However, for instance, Poland, Malta or Hungary rank much worse when looking at the AROP and SMD rates. On the other hand, a large number of those countries emerging as poor in terms of the LWI rate tend to appear less poor (with respect to the others) when looking at the AROP and SMD rates. This probably happens because the LWI rate tends to be affected by structural characteristics of national labour markets, as well as by the household composition and the intra-household decisions related to the work activation which characterise the culture of each EU Member State (de Graaf-Zijl and Nolan, 2011; Corluy and Vandenbroucke, 2013; Corluy and Vandenbroucke, 2017).

Figure 7: (Quasi-)joblessness rate (%) by EU Member State in 2008 (red marker) and 2019 (blue vertical bar)

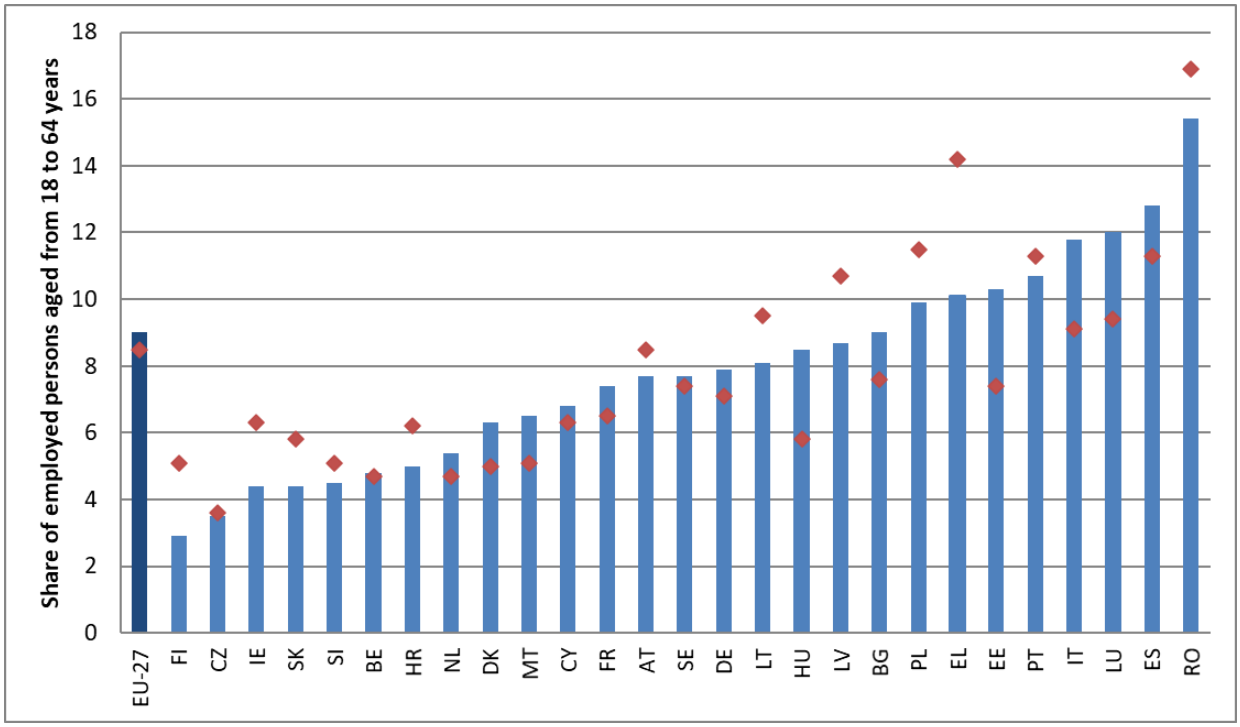


Source: Authors' elaborations on Eurostat data.

Note: Social indicators refer to 2010 rather than 2008 for Croatia (HR) and the aggregate EU-27.

The IWP rate, which combines the AROP definition of poverty with the employment status of persons aged from 18 to 64 years, represents a possible alternative in this case. Figure 8 shows that countries like Finland, Ireland, and Belgium had the lowest incidences of IWP in 2019, while Romania and Spain reported the highest IWP rates. Interestingly, Luxembourg stands as the third poorest country in the EU-27 when looking at this poverty indicator. The main reason for this may be the fact that, especially in this country, the risk of IWP is higher among the youth and the number of working poor has largely increased in this category of the population during the last decade (Peña-Casas et al., 2019). Along with Luxembourg, other 12 countries (Estonia, Italy, and Hungary in particular) reported an increase in the IWP rate from 2008 to 2019, while it fell substantially in Greece, Finland, and Latvia during the same period.

Figure 8: In-work poverty rate (%) by EU Member State in 2008 (red marker) and 2019 (blue vertical bar)

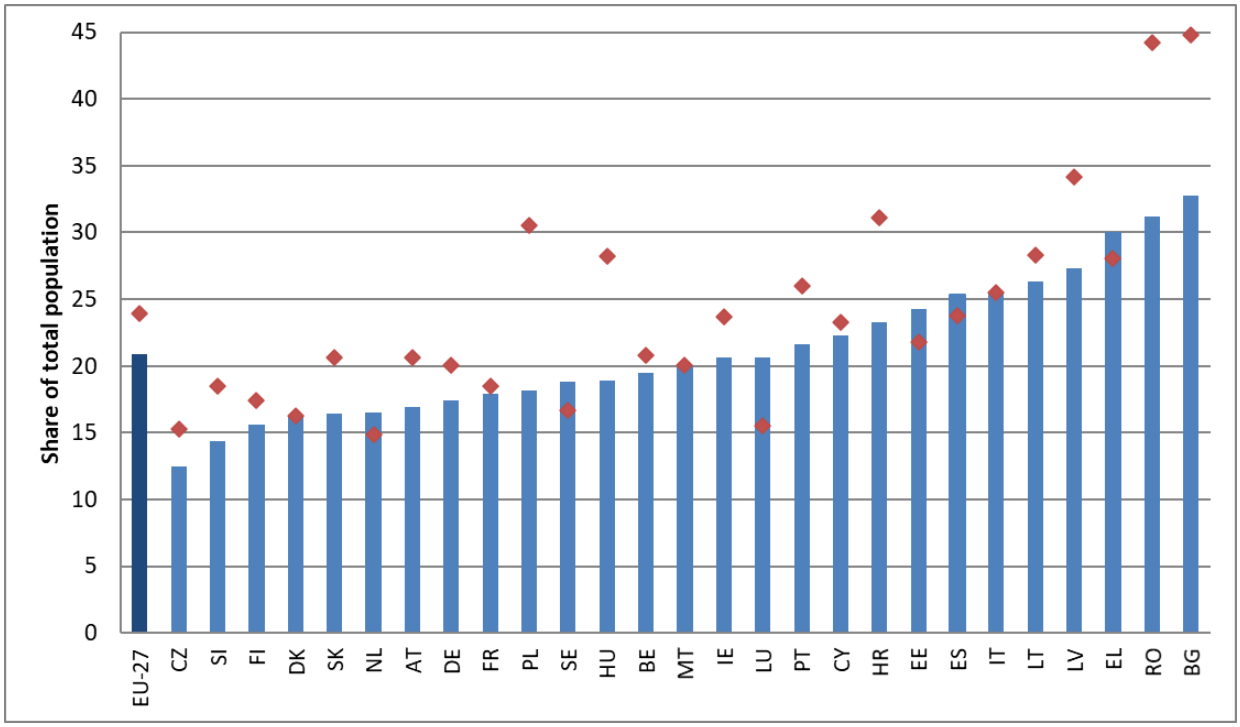


Source: Authors' elaborations on Eurostat data.

Note: Social indicators refer to 2010 rather than 2008 for Croatia (HR) and the aggregate EU-27.

Finally, Figure 9 highlights that a convergence path seems to be in place among the EU-27 countries also with regard to the AROPE rate (probably driven by the one seen for the SMD rate). Indeed, the share of individuals at-risk-of poverty and social exclusion decreased in most EU countries (18 out of 27) from 2008 to 2019, but the reduction has been on average greater among the 'poorer' countries than among the others. Still, six countries (Netherlands, Sweden, Luxembourg, Estonia, Spain, and Greece) show an opposite trend during the last decade, and thus a growth of the AROPE rate, while Denmark, Malta, and Italy had no change in this poverty and social exclusion indicator and remained in 2019 as poor as in the year the Europe2020 strategy was introduced.

Figure 9: At-risk-of poverty and social exclusion rate (%) by EU Member State in 2008 (red marker) and 2019 (blue vertical bar)



Source: Authors' elaborations on Eurostat data.

Note: Social indicators refer to 2010 rather than 2008 for Croatia (HR) and the aggregate EU-27.

2.1.3. Group of particular interest: children

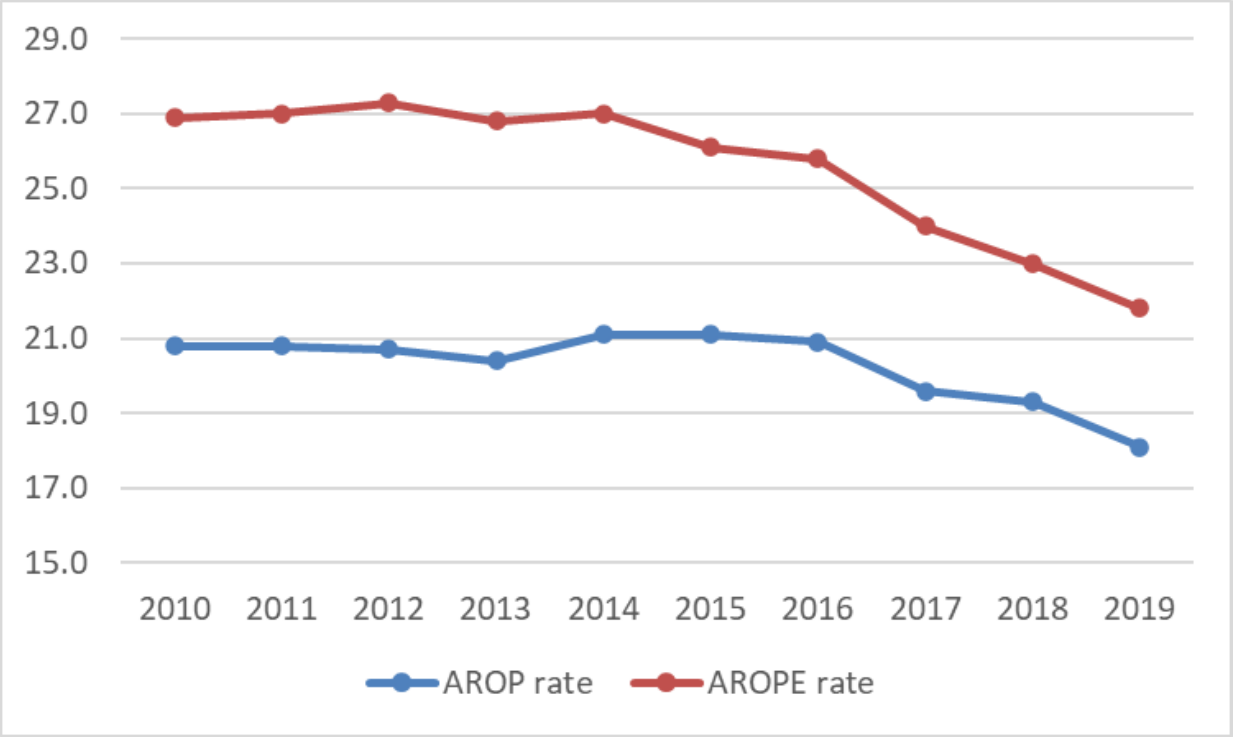
The fight against child poverty has been and still is one of the most prominent aims on the EU policy agenda (Frazer et al., 2020). Indeed, €2.7 billion were allocated in the EU budget towards reforming child protection and welfare systems both inside and outside the EU-27 countries over the last decade (Eurochild, 2020). According to Frazer et al. (2020), child poverty mainly depends on the type of precariousness: precariousness related to economic fragility of the household (e.g. child-specific material and social deprivation, risk of poverty and social exclusion); precariousness related to household composition (e.g., single parents households, imprisoned parents), precariousness related to (other) social risk factors (e.g. households where there are mental health problems, living in urban segregated areas; belonging to ethnic or cultural minorities). In this section, we focus on the first type of precariousness only and, in line with EU standards, we define as children those aged less than 16 years.

Figure 10 shows that child poverty was a widespread issue in the EU-27 in 2010. About one child in five was at-risk-of poverty in 2010, and even more than one child in four had to be deemed as poor in the same year when considering also the (quasi-)joblessness and the severe material deprivation conditions of households in which they live. After a steady period (two years longer in the case of the AROP rate), however, child poverty decreased significantly during the last years in the whole EU-27. The incidence of poverty is still high, but the AROP and AROPE rates were equal to 18.1% and 21.8% in 2019, respectively.

The phenomenon of child poverty is however quite heterogeneous among EU Member States. Six countries (Lithuania, Italy, Luxembourg, Spain, Bulgaria, and Romania) still had more than 23% of children in AROP status in 2019, while this share was close to 10% in Finland and Hungary (Table 3).

Similarly, the same six countries and Greece reported an AROPE rate among children higher than 25% in 2019, while the AROPE rate among children was lower than 14% in Slovenia, Czechia, Denmark, and Finland.

Figure 10: AROP and AROPE rate (%) among persons aged less than 16 years in the EU-27



Source: Authors' elaborations on Eurostat data.

As regards the change in child poverty from 2010 to 2019, Table 3 illustrates different trends within the EU-27. Most of EU countries reported a decrease in AROP conditions among children over the last decade. This decrease has been noteworthy in Hungary, Latvia, and Poland, and fairly slight in Italy, Slovakia, and Netherlands. Similarly, the few countries with an increase of child poverty can be split into those which have seen a modest rise (Estonia, Belgium, and Bulgaria) and those which observed a dramatic rise of this phenomenon (Luxembourg, Sweden, and Cyprus). The main considerations remain the same overall when referring to the AROPE rate among children, with few exceptions. Specifically, Greece is among countries reporting an increase of child poverty in this case, while the opposite occurs for Estonia, Belgium, and Bulgaria. The latter, in particular, becomes one of the countries observing the highest (relative) reductions in child poverty.

Table 3: AROP and AROPE rate (%) among persons aged less than 16 years by EU Member State and year

Country	AROP rate			AROPE rate		
	2010	2019	Var. %	2010	2019	Var. %
Belgium	18.5	19.0	3%	23.2	22.2	-4%
Bulgaria	26.4	27.2	3%	48.6	34.0	-30%
Czechia	13.6	11.1	-18%	18.0	12.9	-28%
Denmark	10.7	10.7	0%	15.1	13.6	-10%
Germany	17.2	12.0	-30%	21.3	15.1	-29%
Estonia	16.3	16.7	2%	23.2	19.9	-14%
Ireland	19.2	14.1	-27%	34.4	23.0	-33%
Greece	22.3	20.4	-9%	27.8	29.7	7%
Spain	28.8	27.1	-6%	32.6	30.1	-8%
France	18.1	17.5	-3%	23.0	21.8	-5%
Croatia	18.9	16.6	-12%	28.5	20.1	-29%
Italy	24.7	24.2	-2%	28.9	27.7	-4%
Cyprus	12.8	17.0	33%	21.5	23.3	8%
Latvia	26.1	14.0	-46%	42.0	18.3	-56%
Lithuania	23.8	23.2	-3%	35.1	26.8	-24%
Luxembourg	21.5	25.5	19%	22.1	26.0	18%
Hungary	20.1	10.3	-49%	38.7	21.6	-44%
Malta	21.8	20.9	-4%	26.2	23.6	-10%
Netherlands	13.5	13.4	-1%	16.2	15.3	-6%
Austria	19.8	15.0	-24%	23.3	19.1	-18%
Poland	22.1	12.6	-43%	30.3	15.2	-50%
Portugal	20.9	17.5	-16%	27.1	21.4	-21%
Romania	32.2	29.7	-8%	48.2	34.6	-28%
Slovenia	12.6	10.6	-16%	14.9	11.7	-21%
Slovakia	18.5	18.3	-1%	25.0	21.4	-14%
Finland	11.2	9.7	-13%	14.1	13.7	-3%
Sweden	16.3	21.2	30%	18.3	22.7	24%
EU-27	20.8	18.1	-13%	26.9	21.8	-19%

Source: Authors' elaborations on Eurostat data.

2.1.4. Groups of particular interest: Roma communities and the homeless

During the last decade, other two categories of the population became of particular concern in the EU policy agenda: ethnic minorities and the homeless. There are different ethnic minorities in the territories of EU-27 countries, but one of the biggest communities is the Roma population which, in turn, includes groups of people who have more or less similar cultural characteristics, such as Sinti, Travellers, Kalé, Gens du voyage (European Commission, 2014). According to estimates by the Council

of Europe[37], there were around 11 million Roma people in 2012, spread throughout almost all EU countries, with communities of varying sizes. They composed a significant proportion of the population in Bulgaria (around 10%), Slovakia (9%), Romania (8%), Hungary (7%), Greece, Czechia and Spain (each 1.5-2.5%) (European Commission, 2014).

The European Commission adopted an EU Framework for National Roma Integration Strategies in 2011, putting in place – for the first time – a comprehensive and evidence-based annual process to coordinate efforts related to Roma integration. However, results of the second European Minority and Discrimination Survey (EUMIDIS II), collected in nine Member States (Bulgaria, Croatia, Czechia, Greece, Hungary, Portugal, Romania, Slovakia, and Spain), highlighted that the EU and its Member States are far from reaching the goals set by the EU Roma inclusion framework, especially for specific and critical indicators, such as the share of early school leavers and the proportion of young people not in employment, education or training (FRA, 2019). Also, FRA (2019) sheds light on the fact that important gender inequality exists in the Roma population since Roma women tend to be disadvantaged, in comparison to both Roma men and the general population, in a large number of areas.

Different dimensions of poverty and social exclusion are widespread among Roma people (Kóczé, 2018). First, Roma people are generally out of the formal labour market or involved in precarious situations of unqualified and poor jobs, and this is particularly true for the Roma youth (FRA, 2019; Fresno et al., 2020). Second, Roma migrants face difficulties in access to health care services and education (McFadden et al., 2018; Roma Civil Monitor, 2019; FRA, 2019). Third, Roma migrants tend to face poor housing quality and spatial segregation in substandard settlements (Manca and Vergnano, 2019; Fresno et al., 2020). According to Eurodiaconia (2019), the latter outcome is probably due to the fact that national strategies to combat homelessness have not been sufficiently adapted to the mobility/migratory condition of the Roma population.

The main victims of these poverty and social exclusion conditions are often Roma children, who have to deal with unfavourable conditions such as discrimination, trafficking in human beings, early marriage, and bullying (ICF and Milieu, 2018). Similar evidence is emphasised by other studies as regards Roma women and their position of multiple exclusion (Kóczé et al., 2018; FRA, 2019; Fresno et al., 2020).

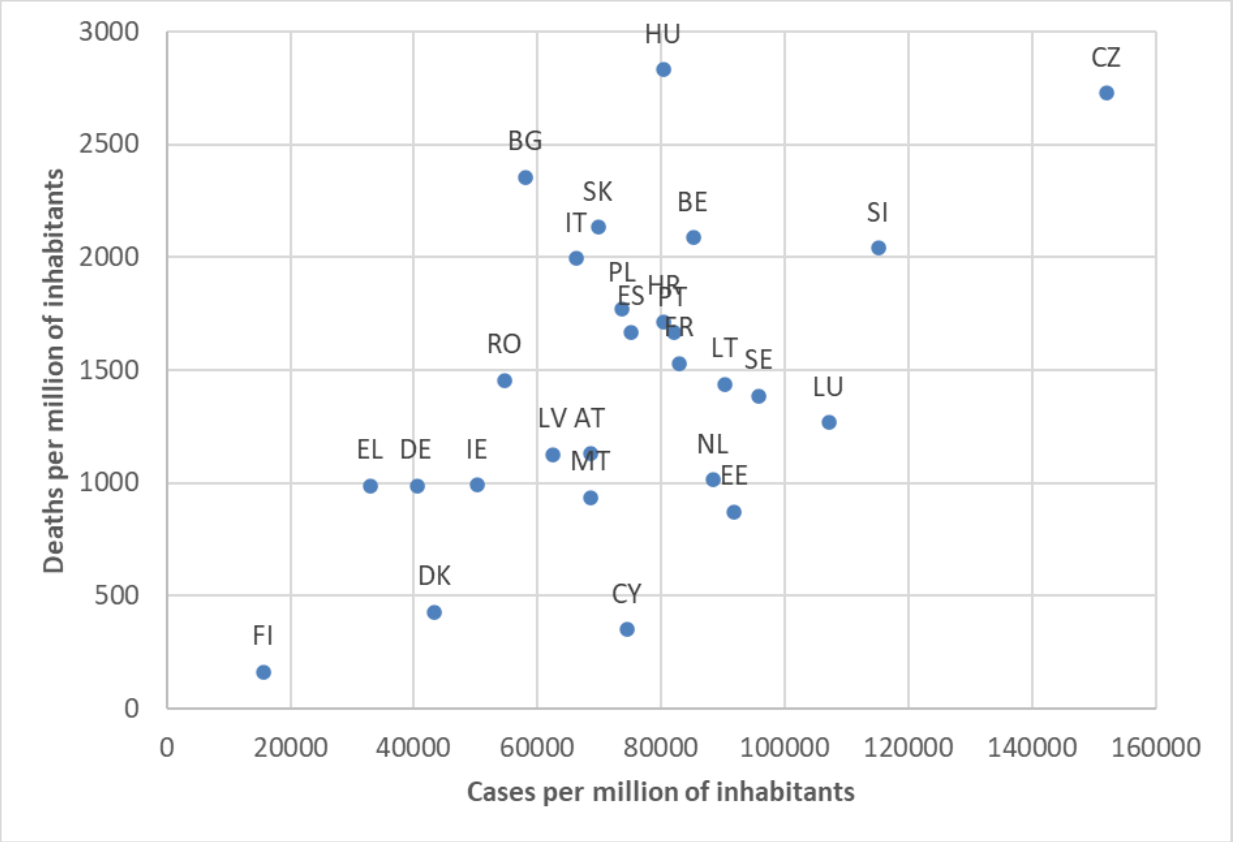
As for homeless people, awareness of this group of population mainly increased starting from 2010, when the Joint Report on Social Protection and Social Inclusion called on Member States to develop comprehensive homelessness strategies (Council of Ministers, 2010). Reports produced by ESPN country experts, Baptista and Marlier (2019) highlight that the phenomenon of homelessness largely increased in most EU countries over the last decade (growth rates range from 16 to 389%), while it decreased significantly in Finland and observed a stabilisation in Portugal. According to the ESPN experts, key drivers of the increase in the number of homeless people have been – amongst others – strong pressure on social housing supply, steep increases in property and rental prices, and the increasing scarcity of low-cost housing. Along with these factors, many countries reported rising exclusion of homeless people from the labour market, rising immigration, and inadequate and/or difficult access to the welfare system (Baptista and Marlier, 2019).

[37] Roma Integration - 2014 Commission assessment. Available at: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_249.

2.2. Trends in poverty and social exclusion since COVID-19 outbreak: literature review and assessment of expected trends

The COVID-19 pandemic has had (and is still having) a massive impact in the EU-27 countries both in demographic and economic terms. Figure 11 shows that the countries which have been the most affected by COVID-19 until April 2021 are Czechia and Hungary, followed by Bulgaria in terms of deaths, and Slovenia and Luxembourg in terms of cases per million of inhabitants. At the opposite end of the spectum, Finland, Denmark, and Cyprus counted less than 500 deaths per million inhabitants. Figure 11 also shows important differences among EU countries in terms of COVID-19 mortality, probably related to age structure of the national population and available services and infrastructures along the pandemic. In fact, for instance, although the spread of contagion is similar, Italy and Slovakia present a much higher number of deaths per million of inhabitants compared to Latvia, Austria, or Malta.

Figure 11: COVID-19 cases and deaths per million inhabitants by EU Member State



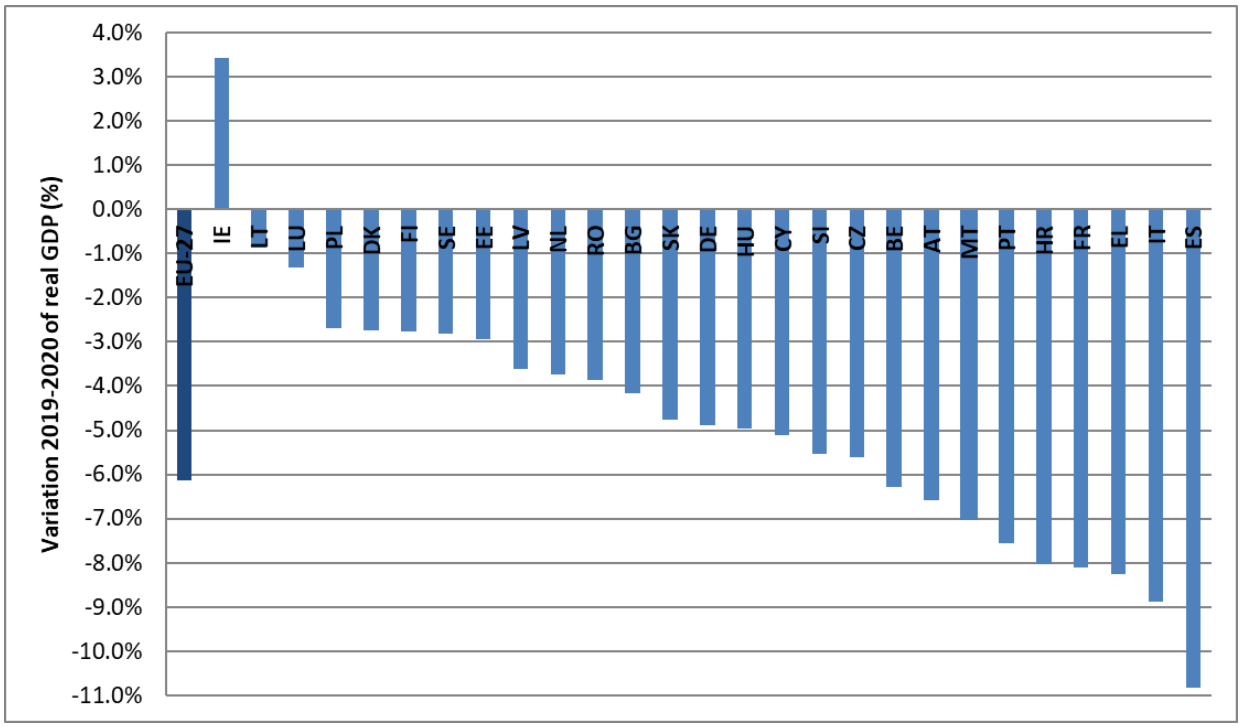
Source: Authors' elaborations on OurWorldInData data (updated on April 30, 2021).

Looking at the dynamic of real GDP from 2019 to 2020, one main finding is noteworthy: the economic effects of COVID-19 appear quite unrelated to the spread of contagion or the number of deaths per million inhabitants (Figure 12). Instead, the effects of COVID-19 on the national GDP seemed to depend much more on other factors, such as the national strategies of contagions containment (i.e. social distancing measures and lockdown measures) and the introduction of emergency policies of income support. Ireland is the only country reporting growth of real GDP from 2019 to 2020[38], while real GDP substantially decreased in all other 26 EU countries. There is, however, substantial heterogeneity

[38] Irish GDP growth has been driven largely by the contribution of the multinational-dominated sectors of pharma and ICT. Available at: https://www.nova.ie/ireland-had-fastest-gdp-economic-growth-in-the-developed-world-in-2020-197153.

between countries. Because of the COVID-19 outbreak, real GDP decreased by less than 2% in Lithuania and Luxembourg, by 5% in Germany, and by more than 8% in Croatia, France, Greece, Italy, and Spain.

Figure 12: Variation 2019-2020 in real GDP (index 2015=100) by EU Member State



Source: Authors' elaborations on Eurostat data.

2.2.1. Findings from real-time data

Recent studies, like Furceri et al. (2020), find that major epidemics from the 1900s onward have hurt the employment prospects of low-skilled individuals. This evidence, along with the scarring findings of an increase in the unemployment rates and youth unemployment in the European Union by Grzegorczyk and Wolf (2020) and Eurostat (2021), seems to suggest that the poverty conditions of the population of the EU-27 countries are expected to rise due to the COVID-19 outbreak. In spite of this expected tendency, the literature still lacks clear evidence of the (actual) effects determined by the pandemic on the spread of poverty and social exclusion in the EU[39]. The main reason is related to the fact that, as mentioned in Chapter 1, data availability is strongly limited at the moment – representative surveys on living conditions are usually delivered one or two years after the interview – and do not allow to adequately explore this research question. Some studies tried to somehow overcome this limitation using data from real-time remote collected surveys[40].

[39] To be noted, first crucial testimonies of the serious increase in poverty conditions, as well as the identification of 'new poverties', are flourishing at local level. For instance, Italian and Luxembourgish Caritas highlighted that their solidarity centres have stepped up efforts in response to the food crisis and the rise of economic and psychological-relational distresses. Available at: https://www.agensir.it/italia/2021/02/01/social-impact-of-the-pandemic-don-soddu-caritas-new-poverty-widespread-disorientation-and-fear/; https://www.caritas.lu/en/caritas-news/actualites/new-poverty-after-coronavirus.

[40] Referring to the well-known European Labour Force Survey (LFS) and the change in interview mode from PAPI/CAPI (Pen-and-Paper or Computer-assisted Personal Interview) to CATI/CAWI (computer-assisted Telephone or Web interview) adopted in most countries, Lucarelli (2020) raises concerns on the possible increase in non-response bias, self-selection bias, and loss of precision due to the peculiar conditions of respondents (e.g., home confinement).

Galasso (2020) studies the early impact on the labour market of the restrictive measures introduced in response to the pandemic in Italy by means of two real-time surveys conducted at the end of March and in mid-April 2020 on 1,000 citizens. The author sheds light on a clear pattern of rising inequality in the labour market as more fragile individuals (e.g. low educated, low-income service workers) were more likely to stop working and less likely to work from home. Similar results have been found by Adams-Prassl et al. (2020) for Germany, through a real-time survey on about 4,000 individuals, and by Bajos et al. (2021) for France, through an online survey on about 46,000 French adults.

Finally, Clark et al. (2020) and Menta (2021) provide additional insights on the COVID-19 effects on poverty and income inequality in the EU using real-time data. Specifically, they use the same real-time data from the University of Luxembourg's COME-HERE panel survey, which interviewed (in January, May, and September 2020) more than 8,000 individuals across France, Germany, Italy, Spain, and Sweden. As for Clark et al. (2020), they find that the COVID-19 outbreak increased relative income inequality in the first stage (except in Germany), but this pattern was more than reversed by September probably because poorer households benefited more from policy responses to the pandemic. As concerns Menta (2021), the author underscores that poverty rates increased on average in all countries due to the pandemic, but some heterogeneity between countries stands: Italy appears as the most affected and France the least. Also, Menta (2021) suggests that poverty increased disproportionately for young individuals, women, and workers.

An exception within this cluster of papers analysing changes in market/disposable incomes due to the pandemic is represented by Aspachs et al. (2020) who rely on big data from bank records. The authors observe an overall loss of wages among Spanish workers from February to April 2020, but this pattern is more pronounced for people in the lower tail of the wage distribution.

2.2.2. Findings from microsimulation exercises

To deal with the lack of available data on 2020 changes in household incomes, a number of studies relied on existing microdata, collected in past years and representative of the national population before the onset of the pandemic, to simulate counterfactual scenarios about the potential effects on incomes engendered by the COVID-19 outbreak. To do so, several researchers have made use of micro-simulation models which align/calibrate past microdata with aggregate information on changes in labour market outcomes and on the existing income support benefits from the occurrence of the pandemic.

The great majority of this literature relies on the EUROMOD tax-benefit model (Sutherland and Figari, 2013), the most important and widespread microsimulation model in the European Union. A large number of these studies present EU country-specific analyses: Figari et al. (2020) on Italy, Beirne et al. (2020), O'Donoghue et al. (2020), and O'Donoghue et al. (2021) on Ireland, Sologon et al. (2020) on Luxembourg, and Marchal et al. (2021b) on Belgium. Then, Almeida et al. (2020) look at all EU-27 countries, Midões and Seré (2020) analyse seven countries (Austria, Belgium, Finland, France, Germany, Italy and Portugal), while Sanchez et al. (2021) focus on four large and severely hit European countries (Belgium, Italy, Spain and the UK). They use different strategies to simulate the COVID-19 impact on household incomes and refer to diverse effects of the pandemic (e.g. Figari et al., 2020, Beirne et al., 2020, and Sanchez et al., 2021, focus on the effects of the very first stage of pandemic). However, results of these studies are similar overall: poverty conditions are expected to substantially grow due to the COVID-19 pandemic (even considering emergency policy responses), with different intensity across countries.

In particular, as regards the country-specific studies: Figari et al. (2020) estimate an 8 percentage points (p.p.) increase in the AROP rate for Italy; Marchal et al. (2021b) expect a 1.2 p.p. increase in the AROP

rate for Belgium; Sologon et al. (2020) find that disposable incomes should drop in absolute values throughout the Luxemburgish distribution but to a lesser degree among the poorest households. The studies on Ireland (Beirne et al., 2020; O'Donoghue et al., 2020; O'Donoghue et al., 2021) represent an exception in this case, because they estimate instead no reduction or even a rise in the disposable incomes amongst household in lower quantiles of distribution. Sanchez et al. (2021) find that the AROP rate is expected to grow due to the pandemic by 1.1 p.p. in Belgium and Spain, and by 3.5 p.p. in Italy. According to the authors, these differences in the impact of policies (and the pandemic in general) across countries arise from four main sources: shock asymmetry, different characteristics of the tax-benefit system, diverse design of emergency measures, and differences in the household level circumstances and living arrangements.

Almeida et al. (2020) find that the AROP rate at the EU level should increase by 1.7 p.p. due to the COVID-19 outbreak, but they point out stark differences across countries as well. Specifically, the authors expect an increase in the AROP rate ranging from 3 to 4 p.p. in Spain, Hungary, Slovakia, Malta, and Estonia, whereas the same should be much smaller (less than 1 p.p.) in Finland, Netherlands, Denmark, France, and Belgium. Using the EUROMOD model based on the ECB Household Finance and Consumption survey data (rather than on the EU-SILC data), Midões and Seré (2020) estimate a significant increase in the number of individuals depending on household privately earned income to cover their most basic expenses in the very short term; again, the COVID-19 effects appear lower in Austria, France and Finland, while greater in Italy and Portugal.

Among the studies assessing the impact on household incomes of the COVID-19 pandemic and governments' policy responses by means of microsimulation models which differ from the EUROMOD one, three research studies are worth mentioning: Bruckmeier et al. (2020) for Germany, Gallo and Raitano (2020), and Carta and De Philippis (2021) for Italy. Bruckmeier et al. (2020) make use of the IAB Microsimulation Model to simulate the pandemic impact and policy responses until September 2020. They find that, thanks to the measures implemented to cushion the negative economic effects of pandemic, the disposable incomes of poorer households are expected to grow and, as a consequence, the poverty incidence should slightly decrease in 2020. Gallo and Raitano (2020) adopt a microsimulation model developed by the authors and based on EU-SILC 2017 data to simulate the effects of the pandemic for the whole of 2020. The authors estimate that the AROP rate increased by 0.9 p.p. in August 2020 and by 2.0 p.p. in December 2020, thus considering the second wave of contagions, but they stress that the increase would have been dramatically higher (+8.8 p.p.) if the emergency income support measures had not been introduced by the Italian Government starting in March 2020. Moreover, the authors highlight that the risk of poverty is expected to be greater for workers employed in non-essential sectors and for households with a head under 44 years old. As for Carta and De Philippis (2021), they use their own microsimulation model based on Italian LFS data for the year 2019 and the first half of 2020. To overcome the LFS lack of data on household incomes (with respect to the EU-SILC survey for instance), the authors adopt the methodology proposed by Carta (2020), which imputed household labour income onto recent labour force data. They find that workers belonging to lower income households have been the most affected by the pandemic, but social insurance benefits almost completely compensated their drop in income in the first two quarters of 2020.

Finally, a very different approach to assessing the poverty effects of lockdown and social distancing measures in Europe is the one proposed by Palomino et al. (2020). They calculate Dingel and Neiman (2020)'s index of teleworking on 2018 EU-LFS data, and then they match it to the 2018 EU-SILC data, where simulations are implemented assuming different scenarios of partial functioning of closed occupations. The authors estimate an increase in the poverty rates (defined using 60% of the national

median wage as threshold) in all European countries (from 4.9 p.p. to 9.4 p.p. according to the scenario), but it is expected to be greater in eastern and southern countries than in central and northern countries.

2.2.3. Potential long-run effects of COVID-19 and expectations

The COVID-19 pandemic is expected to cause structural effects on the labour market in many countries (Baert et al., 2020a). The opportunity to work from home, for instance, became of great importance (Acemoglu et al., 2020), since it makes it possible to continue working and thus receive wages (for employees), to keep producing services and revenues (for employers), and in general to limit the infection and spread risk and recessive impacts in the country (Bonacini et al., 2021a). Due to the uncertainty about the actual duration of the pandemic or future contagion waves, the role of remote working in the labour market is further emphasised by the fact that it might become a traditional (rather than unconventional) way of working in many economic sectors. Baert et al. (2020b) recently found that the great majority of the employees believe that teleworking (85%) and digital conferencing (81%) will continue after the global pandemic.

Although a marginal (but structural) increase in the share of individuals working from home could determine an overall rise of wage levels (e.g., due to the greater labour productivity), it risks exacerbating pre-existing inequalities in the labour market, as it is expected to favour male, older, high-educated, and high-paid employees (Bonacini et al., 2021a). Moreover, the use of remote working and, in general, measures restricting mobility clearly penalised specific categories of workers, such as those performing physical activities or people employed in 'non-essential' sectors.

A large number of studies emphasise the dramatic consequences of the COVID-19 pandemic on gender inequality, as its impact on women is expected to be higher throughout the world (Alon et al., 2020; Farré et al., 2020; Hupkau and Petrongolo, 2020; Sevilla and Smith, 2020). Relying on real-time surveys, some of these pointed out important negative consequences for women already during the first stage of the pandemic (Adams-Prassl et al., 2020, Del Boca et al., 2020). According to Thomason and Macias Alonso (2020) and Del Boca et al. (2020), additional housework and childcare represent the main drivers explaining why COVID-19 has hit women especially hard. Moreover, it has been observed that women tend to be employed in sectors with a higher risk of contagion and intensive face-to-face interactions, and which are therefore more affected by lockdown measures (Bertocchi, 2020; Hupkau and Petrongolo, 2020; Besart and Gaurav, 2020). Using real-time data from a panel survey on eight OECD countries, Galasso et al. (2020) also underscore that the pandemic probably affected women more than men from a psychological point of view, because women tend to take the pandemic risks more seriously and to be more compliant than men.

Another important part of the literature focuses on COVID-19's effects on the youth. In particular, recent studies find that distance learning can only partially substitute for physical school attendance, and therefore predict a generalised decline in education levels as an effect of school closures (Burgess and Sievertsen, 2020; Haeck and Lefebvre, 2020; Psacharopoulos et al., 2020; Van Lancker and Parolin, 2020). The closure of schools during the pandemic may thus determine education inequalities between students unable to learn remotely and their peers with consequences on their planned lifetime investments in education (Murat and Bonacini, 2020; Neidhoefer et al., 2020). Of course, the massive shock to human capital that the pandemic may cause is likely to have long-lasting consequences in the European Union (and throughout the world in general), and thus will deserve great attention in the next few years.

2.3. Are cross-country and within-country poverty rankings robust with respect to chosen concepts and indicators? Evidence from simulations using EU-SILC

As discussed in Chapter 1, poverty is a vague concept that can be measured through various indicators which may differ according to many dimensions. Further choices also regard the specific approaches taken to quantifying the monetary and non-monetary dimensions behind a poverty index.

Therefore, the many theoretical and methodological approaches to measure poverty might lead to a different picture of the phenomena under investigation depending on the indicator used. On the one hand, the extent of poverty and the country rankings may greatly differ according to the indicator, and this becomes very relevant when, as in the EU case, country performances in a point in time and over time have to be compared. On the other hand, a crucial issue, rather neglected in the policy debate, is that such multiplicity in possible definitions of poverty – and methodological choices to compute every index – does not allow researchers and policy-makers to identify the same population subgroups as poor. In other terms, these various definitions result in different population sub-groups being defined as poor. This has clear implications for social policies when one assumes that those lying below a certain poverty line (defined according to their resources and needs) deserve to benefit from cash welfare, in-kind transfers and minimum incomes. Currently, apart from a clear group of individuals who may be identified as definitely poor or socially excluded (e.g. those without any assets or income source), the audience of recipients of means-tested transfers may depend on the (often implicit) poverty criteria followed by policymakers which drive the choices about the means-tested eligibility conditions for welfare transfers and minimum incomes.

Against this background, the aim of this section is to consider possible, and equally plausible, poverty and social exclusion indicators to show, on the one hand, how sensitive EU country performances are with respect to the chosen indicator and, on the other hand, what is the intersection between the groups of individuals who are identified as poor when different concepts and indicators are followed. Indeed, whenever the identification of the poor is consistent despite the use of different indicators, we should not worry too much about the theoretical and empirical considerations behind the poverty measures. In other cases, apparently normative and technical questions such as those informing poverty concepts and measures become crucial to assess the fairness and the target efficiency of every type of redistributive social policy (Granaglia and Raitano, 2017).

2.3.1. Using an anchored poverty line

In Chapter 1, we have extensively discussed the limits of a relative poverty index, such as the AROP, in capturing poverty trends when aggregate income levels change, highlighting that this class of poverty index may be unfit to properly summarise poverty trends in periods characterised by wide fluctuations of the business cycle. Indeed, relative indexes are based on the mean or median value of the income or consumption distribution and, thus, their value might be scarcely affected or unaffected also during phases of strong recessions or intense growth because of the procyclical change of the poverty line.

One alternative to this limit might rely on an absolute poverty line which is, however, far from being developed in the EU context. A feasible alternative may then consist of using an "anchored relative" index, where the poverty line is based on mean or median income but, once computed, this value is kept constant for a certain period. This type of poverty line would indeed be relative as its level is associated with the stage of development of a certain country but, being anchored at the value of a certain year, would not be affected by the procyclicality bias of the standard relative approach, thus allowing researchers and policymakers to better assess what is happening to the lower tail of the

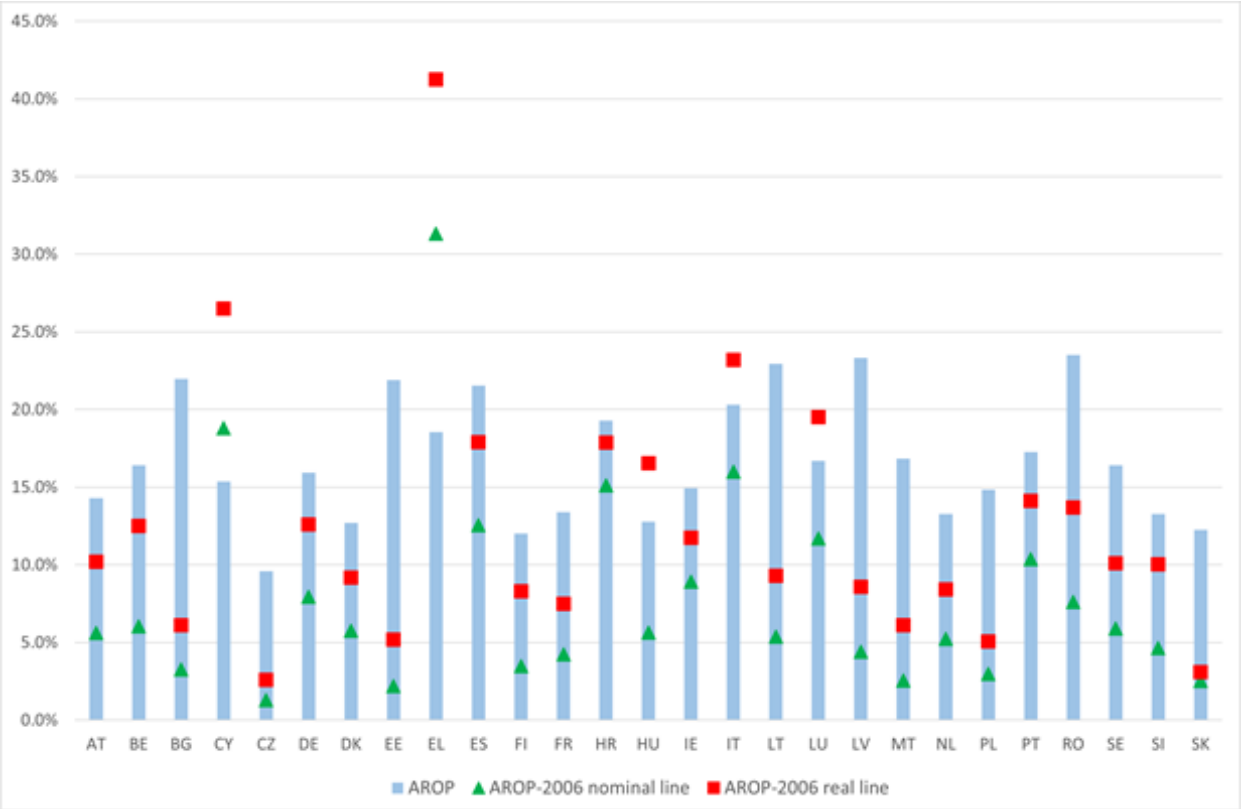
distribution also when GDP changes.

Currently, in line with this issue, Eurostat already provides AROP rates based on a threshold anchored at a point in time. By using EU-SILC data, we then computed AROP rates with a threshold equal to 60% of the median income recorded in 2006, keeping that threshold constant first of all in nominal terms and then in real terms (i.e. allowing it to change only in line with the inflation rate, the Harmonised Index of Consumer Prices – HICP).

Figure 13 clearly highlights how poverty levels depend on the specific threshold and, mostly, are clearly affected by the income growth which has characterised the country from the point in time when the threshold was chosen and the observed year. Indeed, focusing on real anchored thresholds (the red square in the figure), we find that the standard AROP level is much higher than the sort of absolute poverty indexes computed by relying on the anchored threshold (both in nominal and real terms) when we observe countries characterised by intense GDP growth from 2006 to 2017 (like most eastern European countries), while it is rather lower for countries characterised by weak or dramatically low economic growth (mostly Greece and Cyprus). In other words, the comparison between the AROP and an anchored poverty line clearly points out the difference in poverty trends related to GDP growth, already mentioned in Chapter 1, when using a relative or an absolute threshold. When an absolute-type threshold is considered, one removes the effect of the GDP change on the poverty line and, hence, the incidence of poverty reduces more when compared to the AROP, the higher the GDP growth from the year when the threshold was anchored. Likewise, in countries characterised by a GDP reduction, relying on a relative index masks the worsening conditions of those lying in the bottom part of the distribution, since the poverty threshold decreases in line with the decrease in the GDP.

This analysis thus clearly confirms that poverty patterns are highly sensitive to the type of threshold – absolute or relative – that is used. As emphasised in Chapter 1, when absolute-type indicators are chosen, poverty levels reduce when GDP grows, regardless of how pro-poor the growth is; on the contrary, relative-type indicators are almost independent of GDP growth and are mostly sensitive to income (or consumption) inequality in the bottom half of the distribution. Both indicators then look at the same issue from two different, and equally plausible, perspectives and should therefore be taken jointly into account when assessing country patterns about poverty and social exclusion.

Figure 13: Incidence of poverty in 2017 according to the AROP index and to AROP based on the 2006 poverty line kept constant in nominal or in real values



Source: Authors' elaborations on EU-SILC data.

Note: The anchored line for HR refers to 2009. Different definition of the IWP indicator.

As discussed in Chapter 1, the EU definition of IWP is a hybrid concept, as it mixes labour market considerations at the individual level with household characteristics and incomes. Indeed, according to such a definition, an individual is considered in-work poor in a year when i) he/she is aged 18-64 and is in employment for at least half of the year, and ii) he/she belongs to a household with an annual equivalised disposable income lower than 60% of the median of the national equivalised disposable income. Hence, IWP risk is assessed according to the individual's employment condition, which defines the population subgroup to be analysed, and the household's (equivalised) income, which identifies the poverty status of the worker. Therefore, IWP is not necessarily associated with a low-paid job, since the individual's in-work poverty condition is assessed at the household level, and therefore also depends on the household's characteristics.

In general, poverty risks for workers and households can be conceptualised through a three-step process (Raitano, 2019): i) individual outcomes in the labour market (captured by wage levels and the quality of employment); ii) equivalised market incomes of all household members (crucially affected by the characteristics of household members); iii) equivalised disposable incomes which include after taxes and transfers. Accordingly, in our opinion, the best way of depicting the main drivers of IWP and the effects of policies to counteract it, by relying on proper microdata (such as those collected in the EU-SILC), would be to explicitly highlight the risks that emerge in step 1 about individual outcomes in the labour market, also including those who involuntarily work for only a few months of the year, to avoid the possible paradoxical effect of an IWP reduction due to the increase in the number of very precarious workers who are unable to work more than 6 months in a year. After that, the association between these individual outcomes and the household's outcomes would be investigated in relation

to market and, mostly, disposable income.

For instance, as proposed in Raitano et al. (2019), when focusing on risks emanating from low pay (or the lack of a minimum wage), it would be better first to measure the incidence of IWP by simply computing how many individuals receive wages below the 60% of the median poverty line, i.e. wages that are so low that they would risk falling in an AROP status if they lived alone. Then, it would be interesting to ascertain how many (and which) individuals are not poor if the household level is considered. This would assess the role played by household composition, non-labour incomes and welfare redistribution. Therefore, it would be interesting to study the correlation (by household and worker types) between low annual earnings and relative poverty, and to see why and when the findings of the two concepts are inconsistent.

By using EU-SILC 2018 data, we then computed an alternative IWP indicator which expresses the share of workers – i.e. those with positive employment or self-employment earnings over the year – with annual earnings below the AROP threshold and compared the incidence of this indicator with the official IWP value, where – apart from the exclusion of those working fewer than 6 months in the year – individual resources are assessed with reference to household income[41].

Table 4 shows that the value of the alternative IWP rate is higher (and in most cases much higher) than the official IWP rate in all countries but Greece. Therefore, two factors bring a reduction in the official IWP rate: i) the exclusion of workers with very short working spells; ii) the reference to household income, where the household (and redistributive welfare transfers) may represent a buffer reducing income risks for an individual. Note also that the alternative IWP, strictly relying on individual labour market outcomes only, is not affected by the sort of "gender paradox" (Ponthieux, 2010) already noted in Chapter 1 with regard to the official indicator. Indeed, the EU indicator, relying on household income and excluding very precarious workers, among whom a high share is represented by females in all countries, tends to undervalue gender gaps disadvantaging the women in the labour market. On the contrary, the alternative indicator – based on the labour market outcome only – clearly shows the existence of a large gender gap in the IWP risk in all countries but Romania.

[41] Since net annual earnings are not recorded in all EU countries in the EU-SILC, for this exercise we used gross annual earnings, an income concept thus less consistent with the poverty threshold, which is computed net of taxes which then brings to an underestimation of the IWP risk with respect to the value that would emerge if one relied on net earnings.

Table 4: Incidence of in-work poverty by gender in 2017 according to the Eurostat and an alternative indicator (% of the reference population)

	Eurostat IWP definition			Alternative IWP definition		
	Total	Males	Females	Total	Males	Females
AT	8.0	8.4	7.4	27.4	17.9	37.8
BE	5.1	5.8	4.4	11.0	8.9	13.3
BG	10.1	11.5	8.6	24.2	23.6	24.8
CY	7.4	8.0	6.8	26.8	21.6	32.9
CZ	3.5	3.2	3.8	13.5	8.7	19.2
DE	9.0	8.0	10.1	22.7	15.6	29.7
DK	6.1	6.3	5.9	25.3	22.6	28.0
EE	9.5	9.8	9.2	22.9	20.8	25.1
EL	10.9	12.4	8.7	10.6	6.8	15.7
ES	13.0	13.5	12.3	29.8	25.2	35.2
FI	3.1	3.1	3.0	24.5	22.4	26.7
FR	7.1	7.7	6.4	24.0	20.0	28.0
HR	5.2	6.1	4.3	18.1	16.2	20.4
HU	8.5	8.0	9.0	25.9	21.8	30.1
IE	4.8	5.4	3.9	24.2	19.4	29.6
IT	12.3	13.4	10.8	20.2	15.3	26.6
LT	8.2	7.8	8.6	22.2	19.4	25.0
LU	11.5	10.7	12.5	15.9	10.0	22.9
LV	8.3	8.5	8.2	20.6	18.0	23.0
MT	6.4	7.6	4.5	13.9	9.6	20.3
NL	6.1	6.1	6.1	27.8	22.2	33.7
PL	9.7	11.1	8.3	14.1	12.9	15.5
PT	9.6	10.4	8.9	13.1	10.1	16.1
RO	15.0	17.7	11.0	16.3	16.5	15.9
SE	7.1	7.5	6.7	22.9	19.6	26.3
SI	6.0	7.6	4.2	26.5	24.3	29.1
SK	6.0	6.3	5.8	9.9	8.6	11.5

Source: authors' elaborations on EU-SILC data.

Note: In the alternative indicator, all individuals with positive earnings in a certain year are considered as workers and are considered as in-work poor when their earnings are below the AROP line.

To link individual risks emerging in the labour market with household risks based on household resources and needs, it is then insightful to investigate the overlapping between the alternative IWP status and the individual poverty status based on the AROP (Table 5). **The link between individuals' labour market risks – assessed in terms of low annual earnings – and relative poverty – assessed in terms of equivalised household disposable incomes – is rather low in all countries but Romania**. Excluding Romania, indeed, the share of those in "alternative IWP status" who are not AROP

is higher than 60% everywhere and, as expected, the link between low earnings and low household income becomes still lower among females. Consistent with the low correlation between individuals labour market outcomes and AROP, the share of those poor according to the AROP who have, instead, earnings higher than the poverty threshold for a single individual is over 20% everywhere except Denmark, Finland and Netherlands. Therefore, individuals with decent earnings risk become poor because of household needs, especially when they are the only income recipient in the household. Consistently, the incidence of the AROP between those with earnings higher than the poverty threshold is higher among male workers than among female workers in all countries but Estonia, Latvia, Finland and Hungary.

Table 5: Cross between the AROP and the alternative IWP indicator by gender in 2017

	Total		Males		Females	
	Share of non-poor-60 among those in IWP	Share of not in IWP among those poor-60	Share of non-poor-60 among those in IWP	Share of not in IWP among those poor-60	Share of non-poor-60 among those in IWP	Share of not in IWP among those poor-60
AT	77.3%	28.1%	68.7%	34.3%	81.8%	21.2%
BE	73.5%	51.1%	67.1%	54.9%	78.3%	45.8%
BG	61.5%	29.1%	56.5%	30.4%	66.8%	27.2%
CY	76.8%	31.2%	75.9%	44.1%	77.5%	15.3%
CZ	81.4%	43.9%	75.6%	49.9%	84.5%	37.7%
DE	71.4%	34.6%	68.1%	43.8%	73.2%	27.1%
DK	61.4%	15.3%	61.9%	16.5%	61.0%	14.4%
EE	64.9%	28.4%	58.3%	28.2%	70.6%	28.7%
EL	65.1%	68.6%	55.0%	76.9%	71.0%	53.1%
ES	61.3%	28.0%	59.5%	36.8%	62.8%	17.7%
FI	73.3%	9.9%	69.9%	8.0%	76.1%	11.9%
FR	73.3%	29.2%	70.5%	38.2%	75.3%	18.9%
HR	69.7%	39.5%	63.8%	42.8%	75.4%	34.2%
HU	69.6%	24.9%	63.9%	22.7%	74.0%	27.2%
IE	82.4%	23.2%	80.2%	28.4%	84.1%	17.6%
IT	61.1%	41.2%	55.4%	51.7%	65.3%	25.8%
LT	63.8%	30.6%	60.0%	33.4%	66.7%	27.7%
LU	63.3%	51.9%	56.5%	61.7%	66.8%	41.6%
LV	63.5%	31.4%	57.9%	28.7%	67.9%	33.9%
MT	76.3%	56.7%	72.6%	69.2%	78.8%	31.9%
NL	70.8%	16.6%	66.7%	22.4%	73.8%	10.7%
PL	65.8%	45.6%	56.7%	46.4%	75.3%	44.3%
PT	70.5%	57.7%	65.5%	64.0%	73.7%	50.4%
RO	29.4%	25.0%	21.2%	27.7%	41.9%	18.7%
SE	66.2%	21.0%	60.5%	23.5%	70.7%	18.1%
SI	78.0%	29.6%	75.0%	36.9%	80.7%	17.8%
SK	79.4%	66.7%	74.9%	67.0%	83.3%	66.3%

Source: authors' elaborations on EU-SILC data.

Note: share of individuals who are in a certain disadvantaged status and are not in the other status.

These findings thus confirm that, as pointed out by Raitano et al. (2019), the EU definition of IWP mixes the various steps of the income distribution process. This confounds the analysis of the mechanisms related to individual labour market outcomes and wages, and hence places much more emphasis on the household dimension than on the individual labour market dimension. For instance, according to the EU IWP concept, every measure that allows an increase in second-earner participation rates in the labour market (e.g. through an atypical arrangement in a digital platform) reduces IWP, even if that measure might contribute to unacceptable increases in earnings inequality and the share of low-paid workers.

Hence, an exhaustive concept of IWP should allow both dimensions of the risk (i.e. the individual and the household dimensions) to be more clearly distinguished, rather than identifying the poverty status only according to the household's equivalised income. Therefore, in our opinion, both dimensions are worthy of analysis. The EU approach, where IWP mostly emphasises the household dimension, risks biasing the assessment of possible policy proposals by always favouring an increase in the employment rate, irrespective of the effects engendered in the labour market.

2.3.2. Are AROP and SMD identifying the same individuals as poor?

AROP and SMD capture different aspects of individuals' economic disadvantage, thus it is expected that a perfect overlap between these two indicators of poverty and social exclusion should not emerge. Nevertheless, the intersection between individuals in AROP – also when assessed through a threshold equal to 40% of the median – and in SMD emerges as very low (Table 6). In particular, even when focusing on a stricter poverty concept such as the AROP-40 risk, we find that in all countries but Bulgaria and Slovakia at least half of those with an equivalised disposable income below 40% of the median are not severely materially deprived while, on the opposite, more than 2 out of 3 individuals in SMD have an income above the poverty line in all countries but Spain and Luxembourg.

The limited intersection between the two concepts of poverty used at the EU level clearly calls for careful assessment of the reasons behind it. Hence, a detailed investigation of the characteristics of the individuals not in AROP but in SMD and vice versa – that is however out of the scope of the present report – would be needed to evaluate whether this low intersection is due to limits in the considered indicators which wrongly identify as poor individuals who are in fact not disadvantaged, or, on the contrary, if it is due to their capacity, when jointly considered, to notice multiple dimensions of economic disadvantage which are not captured by a single indicator. Following Meyer and Sullivan (2012), who compared the features of the individuals identified as poor according to income or consumption levels to compare the performance of different poverty measures in the US, relying on proper data, one might inquire which indicator is able to better identify as poor the individuals with those characteristics that are commonly considered as clear signals of economic hardship.

Table 6: Cross between the AROP and the SMD concept in 2017

	Cross between AROP-60 and SMD		Cross between AROP-40 and SMD	
	Share of not in SMD among those poor-60	Share of non-poor-60 among those in SMD	Share of not in SMD among those poor-40	Share of non-poor-40 among those in SMD
AT	88.5%	41.6%	85.8%	77.5%
BE	76.8%	23.9%	66.5%	75.0%
BG	53.1%	47.0%	42.4%	72.8%
CY	75.2%	61.4%	59.4%	90.2%
CZ	85.5%	50.2%	72.9%	82.1%
DE	87.9%	35.0%	86.0%	77.6%
DK	87.9%	55.5%	89.5%	87.2%
EE	91.6%	46.3%	87.7%	76.6%
EL	59.5%	54.7%	52.4%	76.8%
ES	83.9%	34.8%	76.1%	58.9%
FI	90.9%	61.6%	92.3%	94.4%
FR	81.1%	43.6%	76.3%	86.5%
HR	74.0%	40.1%	65.7%	66.0%
HU	65.8%	55.5%	60.9%	80.2%
IE	85.4%	55.9%	88.0%	93.4%
IT	79.0%	49.6%	72.5%	69.5%
LT	70.9%	38.4%	63.7%	68.8%
LU	94.5%	28.6%	90.2%	51.5%
LV	78.4%	42.7%	70.0%	68.0%
MT	90.2%	41.3%	87.2%	84.1%
NL	92.4%	55.1%	95.0%	91.6%
PL	86.4%	55.6%	81.8%	79.6%
PT	80.6%	43.8%	77.5%	77.5%
RO	69.9%	49.3%	65.3%	68.6%
SE	96.8%	48.3%	95.9%	82.3%
SI	84.9%	45.6%	79.4%	82.9%
SK	70.2%	44.4%	42.4%	71.2%

Source: authors' elaborations on EU-SILC data.

Note: share of individuals who are in a certain disadvantaged status and are not in the other status.

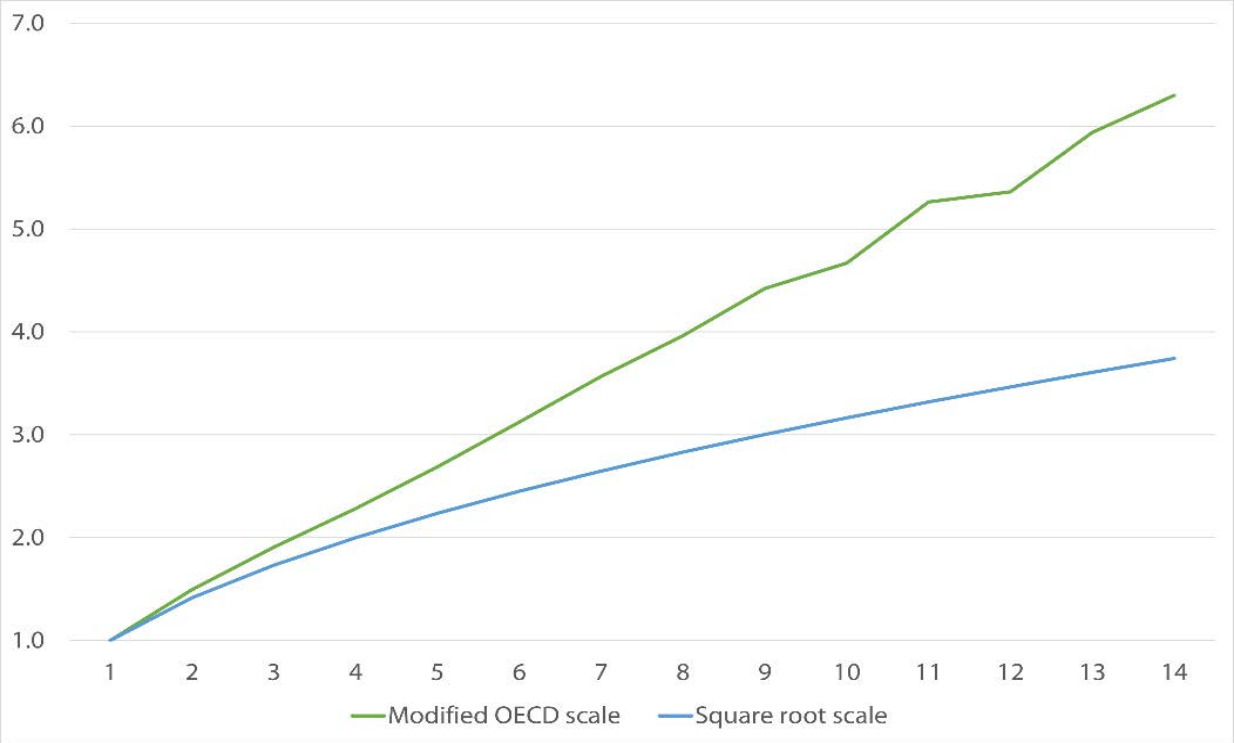
2.3.3. AROP robustness to changes in the used income concept

In Chapter 1, we pointed out that the measurement of poverty strictly depends on a set of methodological choices about the economic dimension considered as the best proxy of living standards. Accordingly, the incidence of AROP may depend on the approach followed to measure equivalised disposable income. In particular, two factors which may be easily taken into account by

using the EU-SILC might be very relevant[42]: i) the equivalence scale used to compare the living standard of differently sized households; ii) the inclusion in the income concept of the imputed rent which puts at an advantage those who own the home where they live or live in a house freely provided by the owner (Canberra Group, 2011). Different approaches followed in the equivalised disposable income measure might then affect both the estimated poverty incidence, thus changing cross-time and cross-country patterns, and the groups which are deemed as poor.

As noted, the economic literature does not agree on the choice of an equivalence scale, which becomes a sort of pragmatic choice, especially in international comparisons. For instance, while the AROP is computed by relying on the "modified OECD scale" that computes the number of equivalised members attributing 1 to the household head, 0.5 to members aged at least 14 and 0.3 to those aged at most 13, OECD analyses (e.g. OECD, 2008 and 2011) make frequent use of the "square root scale", where equivalised household members are the square root of the number of components.

Figure 14: Mean values of modified OECD and square root equivalence scales by number of household members



Source: authors' elaborations on EU-SILC data.

Note: The mean value of the OECD scale is defined for each household size based on the average value of the scale observed in the EU-SILC sample (the value of the scale differs in fact, for each household size, according to the age composition of the household).

As evident from Figure 14, the square root scale attributes a lower number of equivalised components than the modified OECD scale, thus assuming that returns of scale from living together are higher than those implicitly assumed by the modified OECD scale. Therefore, for a given household income, individuals living in large households have a lower equivalised income – and, hence, a higher poverty risk – when using the modified OECD scale than when using the square root scale. The choice of the

[42] A further crucial dimension, not considered in this report since it asks for a set of further assumptions, concerns the imputation into the household disposable income of the monetary value attributed to in-kind welfare transfers as health-care, long-term care and education (on this issue see OECD, 2008 and Raitano et al. 2021).

equivalence scale has then clear implications for the extent of the AROP and the identification of the poor, depending on the household distribution by number and age of the members.

Table 7: Poverty reranking in 2017 when using different equivalence scales

	Share of not poor according to the square root scale among those poor according to the modified OECD scale	Share of not poor according to the modified OECD scale among those poor according to the square root scale
AT	5.8%	11.8%
BE	8.1%	15.9%
BG	5.9%	9.6%
CY	9.2%	18.6%
CZ	4.8%	20.7%
DE	3.7%	9.8%
DK	2.4%	9.5%
EE	4.8%	9.6%
EL	7.5%	9.6%
ES	7.2%	9.6%
FI	7.5%	17.3%
FR	11.9%	13.5%
HR	4.3%	12.6%
HU	6.4%	15.5%
IE	6.8%	18.7%
IT	8.0%	6.7%
LT	3.7%	9.3%
LU	10.0%	10.6%
LV	5.3%	7.7%
MT	8.4%	17.9%
NL	6.6%	14.5%
PL	8.7%	15.5%
PT	9.4%	10.3%
RO	4.5%	7.4%
SE	3.8%	14.1%
SI	7.4%	16.3%
SK	11.9%	12.2%

Source: authors' elaborations on EU-SILC data.

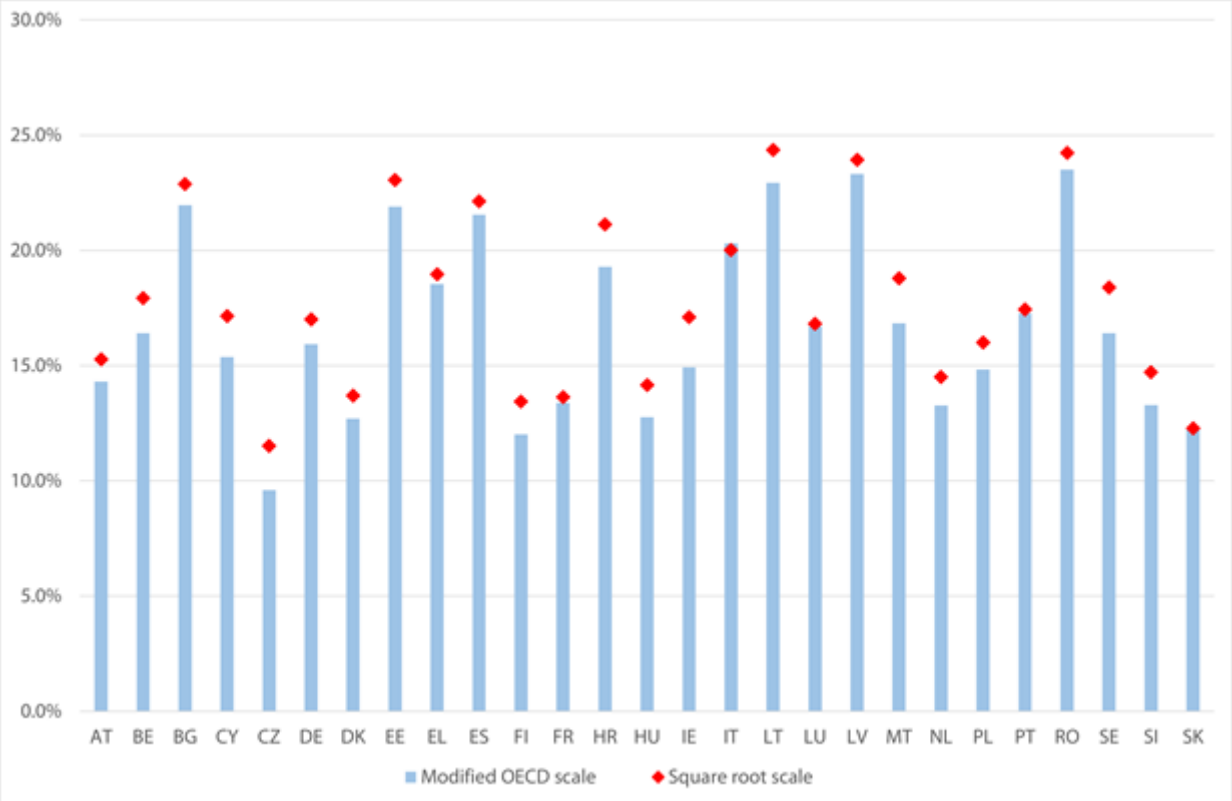
Note: share of individuals who are poor when using a certain scale and non-poor when using another scale.

A simple simulation exercise allows us to empirically assess how sensitive the poverty indicators are and the identification of the individuals defined as poor according to the type of equivalence scale considered. The use of the square root scale instead of the modified OECD scale slightly increases the AROP rate in almost all EU countries (Figure 15) and, mostly, results in a non-negligible re-ranking of individuals in and out of the poverty line, easing the exit out of poverty of large households, whose equivalised income relatively increases, and dropping into poverty especially single-member and small households who benefit relatively less from the higher returns of scale implicit in the square root scale

(Table 7). For instance, the extent of the re-ranking is particularly high in France where 11.9% of those who are poor according to the current definition of the AROP would not be considered as poor if the square root scale were applied, while, conversely, 13.5% of those who are poor according to the square root scale are not considered as poor following the current definition of the AROP that, as pointed out, is based on the modified OECD scale.

Similar findings clearly emerge when imputed rents – whose measurement is, however, limited by serious methodological difficulties (Tormalehto and Sauli, 2013) – are added to the disposable income. In a large majority of countries, the AROP rate decreases when imputed rents are considered (Figure 16), because a non-negligible share of home-owners exit poverty because of the imputed increase of their household income and that effect overcomes the higher AROP of tenants whose income is not changed by that imputation while the median income (and, then, the poverty threshold) is increased by the inclusion of imputed rents.

Figure 15: Incidence of AROP in 2017 using the modified OECD and the square root equivalence scale

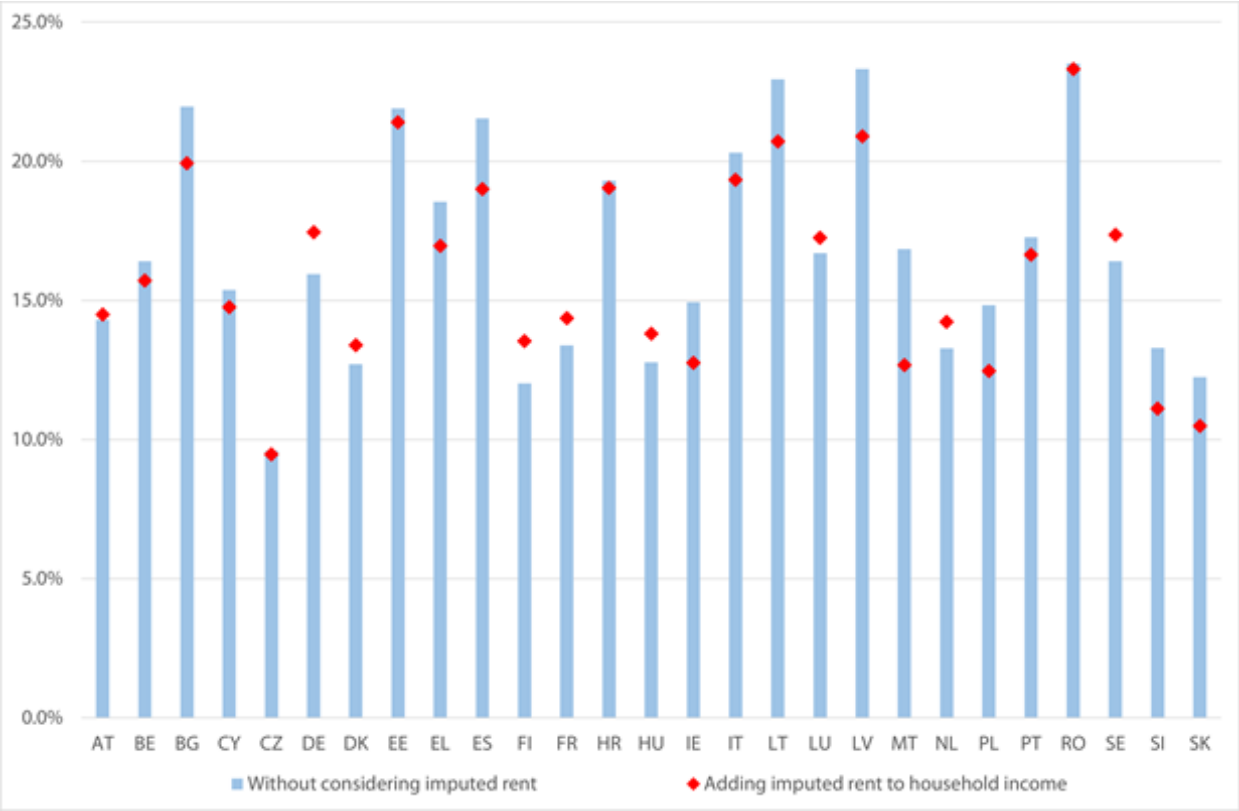


Source: authors' elaborations on EU-SILC data.

The inclusion of imputed rents has, hence, clear redistributive effects between owners and tenants, reducing poverty risks for the first and increasing them for the latter, as clearly evident in a large majority of EU countries when comparing AROP rates with or without imputed rents splitting the population according to the tenure status (Figures 17 and 18). Consistently, a non-negligible re-ranking in the AROP status emerges among individuals when imputed rents are or are not considered (Tables 8 and 9). For instance, in Germany 54.5% of the poor homeowners exit the AROP status when imputed rents are added to their income, while 11.0% of non-poor renters become poor when the AROP is computed by adding imputed rents to the household income.

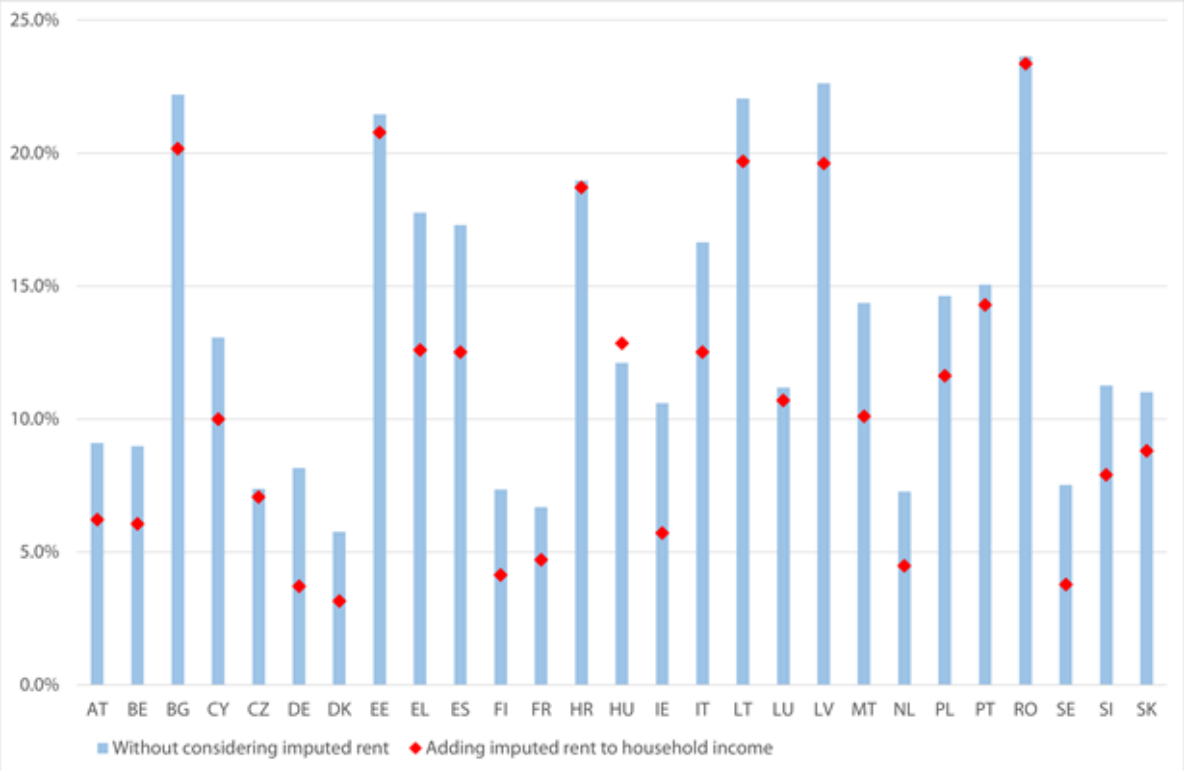
The characteristics of the poor are then not robust to the consideration of imputed rents whose correct measurement becomes crucial to identify who are the poor and, therefore, who deserves income support through social policies.

Figure 16: Incidence of AROP in 2017 including or not imputed rents in the computation of disposable income. Total population



Source: authors' elaborations on EU-SILC data.

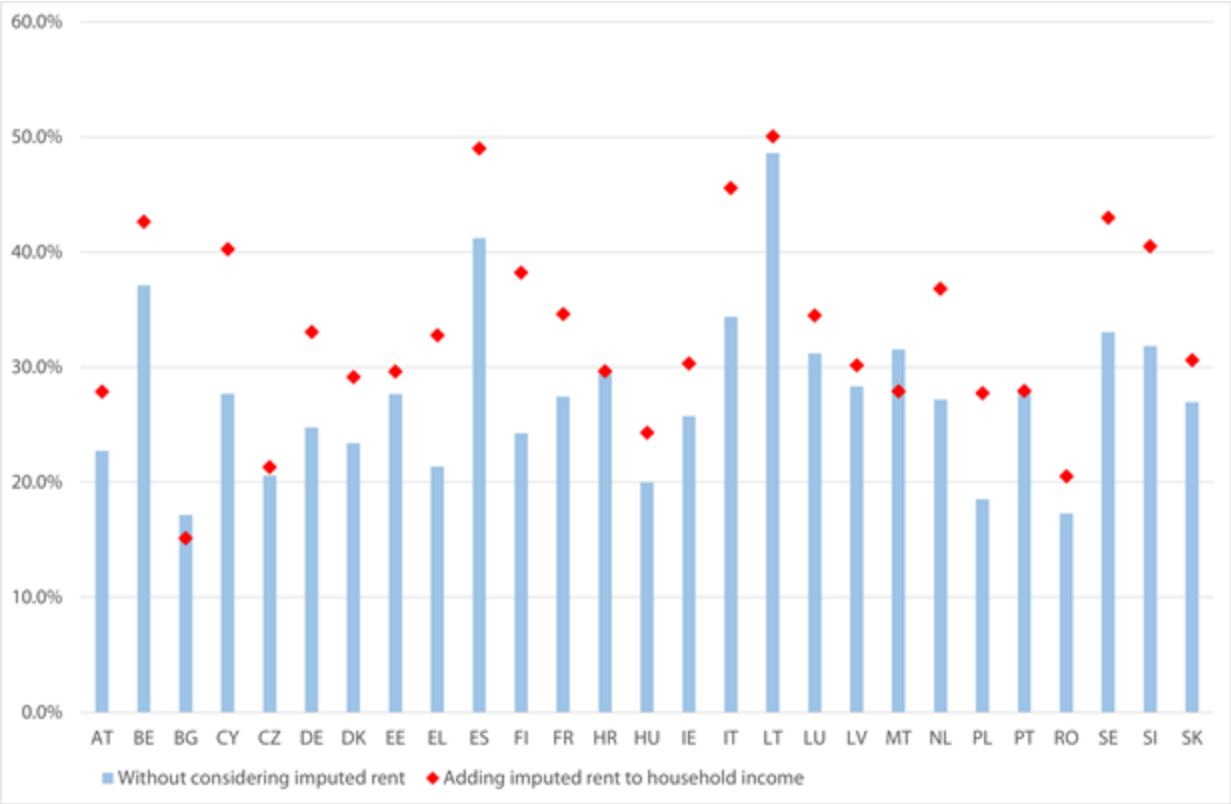
Figure 17: Incidence of AROP in 2017 including or not imputed rents in the computation of disposable income. Home owners



Source: authors' elaborations on EU-SILC data.

Note: Outright owners, owners paying mortgage and those whose accommodation is provided free are considered.

Figure 18: Incidence of AROP in 2017 including or not imputed rents in the computation of disposable income. Tenants[43]



Source: authors' elaborations on EU-SILC data.

[43] Tenants or subtenants paying rent at prevailing or market rate or at a reduced rate are considered.

Table 8: Poverty reranking in 2017 when including or not imputed rents in the computation of disposable income

	Share of not poor when IR are considered among those poor when IR are not considered	Share of not poor when IR are not considered among those poor when IR are considered	Share of poor when IR are considered among those not poor when IR are not considered
AT	12.5%	13.7%	2.3%
BE	17.4%	13.7%	2.6%
BG	17.3%	8.9%	2.3%
CY	19.3%	15.9%	2.8%
CZ	2.7%	1.3%	0.1%
DE	14.8%	22.2%	4.6%
DK	14.2%	18.6%	2.9%
EE	3.9%	1.6%	0.4%
EL	22.7%	15.5%	3.2%
ES	19.0%	8.1%	2.0%
FI	21.3%	30.2%	4.6%
FR	11.2%	17.3%	2.9%
HR	1.7%	0.4%	0.1%
HU	25.4%	31.0%	4.9%
IE	30.1%	18.2%	2.7%
IT	17.1%	12.9%	3.1%
LT	19.0%	10.3%	2.8%
LU	7.8%	10.8%	2.2%
LV	14.1%	4.2%	1.1%
MT	26.6%	2.5%	0.4%
NL	16.5%	22.1%	3.6%
PL	22.2%	7.5%	1.1%
PT	8.6%	5.1%	1.0%
RO	1.6%	0.7%	0.2%
SE	15.2%	19.8%	4.1%
SI	23.8%	8.9%	1.1%
SK	18.3%	4.6%	0.5%

Source: authors' elaborations on EU-SILC data.

Table 9: Poverty reranking in 2017 when including or not imputed rents in the computation of disposable income, by tenure status

	Owners		Renters	
	Share of not poor when IR are considered among those poor when IR are not considered	Share of poor when IR are considered among those not poor when IR are not considered	Share of not poor when IR are considered among those poor when IR are not considered	Share of poor when IR are considered among those not poor when IR are not considered
AT	31.7%	0.0%	0.1%	6.7%
BE	32.6%	0.0%	7.1%	13.0%
BG	17.2%	2.3%	20.4%	1.8%
CY	26.4%	0.4%	1.3%	17.9%
CZ	4.2%	0.0%	0.0%	0.9%
DE	54.5%	0.0%	0.0%	11.0%
DK	47.4%	0.1%	1.7%	8.0%
EE	4.2%	0.3%	0.0%	2.7%
EL	30.2%	0.2%	0.2%	14.6%
ES	28.2%	0.1%	1.2%	14.0%
FI	45.6%	0.1%	2.0%	19.1%
FR	32.7%	0.2%	0.3%	10.0%
HR	1.8%	0.1%	0.3%	0.0%
HU	25.4%	4.3%	25.5%	11.8%
IE	46.7%	0.1%	13.1%	10.7%
IT	25.9%	0.2%	0.5%	17.4%
LT	19.9%	2.6%	7.4%	9.9%
LU	14.0%	1.2%	2.0%	5.7%
LV	16.0%	0.8%	3.4%	3.9%
MT	30.4%	0.1%	16.2%	2.1%
NL	40.8%	0.2%	1.5%	13.8%
PL	23.8%	0.6%	0.0%	11.3%
PT	9.9%	0.8%	5.2%	2.1%
RO	1.6%	0.1%	0.0%	3.9%
SE	49.8%	0.0%	0.0%	14.9%
SI	30.3%	0.1%	2.5%	13.9%
SK	22.1%	0.2%	0.0%	5.0%

Source: authors' elaborations on EU-SILC data.

Note: Outright owners, owners paying mortgage and those whose accommodation is provided free are considered among the owners; tenants or subtenants paying rent at prevailing or market rate or at a reduced rate are considered among the tenants.

3. MINIMUM INCOME SCHEMES IN EU COUNTRIES

3.1. The main characteristics of minimum income schemes in EU countries

KEY FINDINGS

- Entitlement conditions to MIS (i.e. the coverage) and the amount of the benefit package have to be carefully assessed in order to assess the capacity of MIS to protect against poverty and to evaluate the intersection between individuals' eligibility for MIS and poverty status.
- Simple computations based on the EU-SILC show that the overlap between the most used poverty concepts and the entitlement to MIS is far from perfect. Apart from data limits, the lack of overlap between MIS coverage and poverty might be due to the use of national criteria other than those followed in the EU definition of poverty to identify people most in need, or to high non-take-up rates of social benefits among potentially eligible people.
- The analysis of the six counties selected for this report – Denmark, Estonia, Germany, Hungary Italy, Spain – reveals substantial variation of MIS along the main dimensions: a) policy trajectory; b) institutional features of national MIS; c) MIS outcomes. As for policy trajectories, this study shows that MIS have not become more relevant policy programmes in all countries in the last two decades.
- With regard to MIS institutional features (eligibility conditions, benefit amount and duration, activation and conditionality requirements), there are major variations regarding the three key dimensions of i) accessibility; ii) adequacy; iii) enabling character of MIS.
- As regards the relationship between MIS, activation and especially work participation – which is extremely relevant in light of increasing in-work poverty rates in several European countries – there are substantial cross-country differences both in the possibilities of combining MIS and work and especially – where such combinations are allowed – possible incentives to return to formal paid employment.
- Outcomes – expenditure (% of GDP) and coverage (% of total population) – also vary remarkably with the six selected countries sitting along a continuum from the most expensive and inclusive MIS (Germany) to the least (Hungary). Denmark and Italy are not far from the former, Estonia is close to the latter, whereas for Spain the figures related to the recently established IMV are not available yet.

The efficacy of MI schemes in achieving their targets – mostly the fight against poverty and social exclusion – depends on a set of characteristics which compose those schemes.

Leaving aside for the moment the 'activation profile of MIS – i.e. the conditionality requirements about job search by the beneficiaries and enabling measures and services –, to assess the capacity of MI schemes in supporting the poor, one should primarily focus first on key aspects of these schemes and then specifically on the eligibility requirements – which affect benefit coverage – and the benefit amount – which affects the capacity of the scheme to alleviate poverty. Indeed, the latter two dimensions of schemes impact upon the main output dimensions of the MIS: their coverage – i.e. the share of individuals in need (e.g. those in AROP or SMD or those who are considered in need according to national judgements) who are entitled to the benefit – and adequacy – i.e. the amount received by beneficiaries, evaluated with respect to a 'decent life' line (e.g. with respect to the AROP line or other

possible thresholds based on a reference budget approach and expressed through the cost of a basket of goods and services considered as necessary in order not to be socially excluded).

With respect to eligibility requirements, the coverage of MIS – i.e. the number of individuals protected by them, and the characteristics of the beneficiaries – is related to where the 'means testing line' is set and what indicators of economic resources are used to select the beneficiaries. As noticed by Gallo (2020) and Marchal et al. (2021a), all EU countries establish both household income criteria and wealth as means-testing eligibility conditions. On this issue, Marchal et al. (2021a) note that very limited attention has been paid in the literature to the role played by asset tests in singling out MI recipients. They notice that EU countries apply two main types of asset tests: outright disqualification when assets reach a certain value (i.e. without any possible substitution rate between income and wealth), versus a more gradual tapering at a fictional rate of return. Moreover, apart from monetary requirements, further conditions may limit the coverage of minimum incomes, e.g. when further conditions about the age, the employment status or the residence of beneficiaries are established.

As concerns benefit amounts, MIS are top-up benefits since they complement household resources (incomes) until a certain threshold. Thus, the adequacy (or generosity) depends on where such a threshold is set, for instance how far from the AROPE line it is. However, adequacy is not easy to assess since, on the one hand MIS often provide benefit packages (including several cash and in-kind transfers) which are difficult to compare among households and countries[44], and, on the other hand the specific amount of the benefit is usually related to household characteristics. These mainly include its size (and, therefore, the equivalence scale adopted to vary the benefit amount with respect to the number of household members), but also further characteristics such as the age of the household head, the presence of minor(s), members who are disabled, or the housing status with further income paid in some cases to tenants. Hence, adequacy should be assessed case-by-case for each household type (also assessing the equivalence scale adopted for each component of the benefit package)[45] since nothing ensures that the criteria adopted by policymakers to adapt the benefit amount to, e.g., the household size are the same implicit in the equivalence scale adopted to compare living standards and poverty lines of the individuals belonging to different households. Finally, MIS duration should be theoretically undetermined, but some countries (e.g. as in the former Italian Inclusion Income) may set a time limit in its duration or (e.g. as in the Italian Citizenship Income) may establish that, after a certain period, the payment is suspended and the beneficiaries have to present a new application.

Coverage and adequacy of MIS jointly contribute to an output dimension which is crucial in the economic debate: the total amount of a country's expenditure on MIS.

Another crucial aspect of MIS relates to their links with employment policies and individual incentives to be active. As regards the latter point, the economic literature has noted for many decades that means-tested benefits might disincentivise labour supply because of the extremely high actual marginal tax rates due to the loss of the benefit when one moves from social assistance to a salaried job. When these disincentives are too high a 'poverty trap' might emerge. Therefore, all EU MIS have

[44] In this section we refer to the monetary component of MIS. However, it has to be pointed out that in most cases MIS benefits do not consist of a single benefit but of a package of various cash and in-kind benefits. As regards cash benefits, the package should consider the amount of the basic benefit, possible benefits for additional needs (e.g. for those households paying a mortgage or to deal with children educational expenses), housing benefits and contribution to rents for those who do not own the house where they live and family benefits. Benefits in kind or specific cash income transfers (as vouchers or reduced fares for certain services) relate e.g. to health care, food vouchers, school canteens, education and participation package for children, reduced-price tickets for public transport, gas, energy and utility bills.

[45] For instance, the monetary amount of the Italian Citizenship income increases – up to a ceiling – when the household size increases but the amount paid for those living in rent or having to pay a mortgage is independent of household size.

introduced, on the one hand, conditionality measures to foster beneficiaries employability (Natili, 2019a) and, on the other hand, some formulas which reduced the actual marginal tax rates (for instance, excluding from the means-test a share of the new labour income)[46].

As argued by Natili (2019a), minimum income schemes in Europe have become complex social policy benefits that combine income support with a set of services and programmes designed to help recipients to return to the labour market and to avoid social exclusion of those unfit to work. However, as pointed out by Natili (2019a), the strictness of the activation function may differ greatly across countries, since some may focus on 'positive' incentives – e.g. opportunity to participate in training activities and active labour market policies, according to an 'enabling perspective' focusing on labour market integration –, while others may stress the role of 'negative incentives' in a 'workfare perspective', e.g. obliging individuals to accept a certain job or to provide work activities for free in order not to lose their benefits[47].

It is out of the scope of this report to describe in detail how the EU countries fare with respect to these multiple dimensions of MIS – i.e., coverage, means-testing and other eligibility conditions, adequacy and benefit increases according to the household characteristics, conditionality, penalties and incentives to activation – (however an useful description is presented in Table 1). Analyses updated until a few years ago about how MIS schemes in EU countries fare with respect to these various dimensions have been carried out by Frazer and Marlier (2016a and b) and Natili (2019a). Nevertheless, in this report we provide detailed analysis on MIS in six EU countries chosen according to their particularities: Italy, Spain, Germany, Denmark, Estonia and Hungary (Section 3.3). However, before presenting country cases, we provide some indicators about the coverage of non-contributory and means-tested welfare benefits in EU countries computed by using EU-SILC microdata (Section 3.2).

3.2. Target efficiency of means-tested transfers: evidence from EU-SILC data

One main objective of income support measures devoted to the poor should be the so-called 'target efficiency', meaning the capacity of means-tested welfare transfers to reach all deserving individuals and avoid wasting resources by paying benefits to non-poor individuals and households.

The definition of poverty, however, is an imprecise concept that depends on the criteria followed to set the poverty line. On the one hand, various equally plausible choices may be chosen to establish the threshold below which an individual is considered to be poor. On the other hand, policymakers may follow further criteria – which may differ from the criteria followed by academics and scholars – to establish the eligibility requirements for means-tested benefits, i.e. those benefits which are paid only to individuals and households who satisfy a test on their monetary resources.

[46] However, in most countries the so-called withdrawal rates are rather high. For instance, for the Italian Citizenship Income, there is limited cumulability between this transfer and labour income. Actually, when a Citizenship Income beneficiary finds a job at most 20% of his/her employment income is not considered for the means test (self-employment income is instead fully considered). This engenders an extremely high actual marginal tax rate on the additional labour income and implies that, unless the job is rather well paid, some individuals might forego that job in order not to lose the right to receive the minimum income benefit. Hence, a limited cumulability between MIS and wages, coupled with the very limited salaries paid especially in many atypical jobs in most EU countries, might engender a sort of 'poverty trap'.

[47] Despite some detailed studies about the delivery of social services in EU countries that have been issued (European Commission 2018), no studies have thoroughly assessed in cross-country comparison the degree of enforcement of conditionality rules (e.g. comparing the incidence of actual sanctions). However, on this issue see the OECD computations on how demanding are activation requirements for jobseekers available at https://www.oecd.org/social/strictness-benefit-eligibility.htm. At the country level, a higher number of studies have instead investigated the propensity of MIS recipients to search for a job and the effects of the benefits on the duration of the unemployment spell (see Cristoph and Lietzmann 2021 for a recent analysis).

For instance, as already mentioned, in the current debate poverty may be assessed through the lens of the AROPE rate but policymakers may establish means-tested criteria which are unrelated to the AROPE definition, e.g. they may base means-testing on both income and wealth; set an implicit income line for beneficiaries below 60% of the median; exclude from the income test some income sources, apply an equivalence scale different from the modified OECD scale; or establish further criteria about residence or conditionality. In other cases, such as Italy, the poverty debate may focus on a poverty threshold defined according to household expenditure, whereas the eligibility requirements for the minimum income do not consider consumption and are, instead, based on a combination of income and wealth (Jessoula et al., 2019).

Accordingly, nothing guarantees a perfect overlap between the poor – as defined, e.g. by EU or national institutions – and the poor as defined according to the criteria set in a certain means-tested scheme. In this sense, the target efficiency should not be assessed with respect to an abstract definition of the poor, but researchers should carefully define the audience of those which are included according to the means-tested criteria and assess whether the actual benefit includes those who satisfy the requirements (i.e. the take-up rate of the benefit is 100%) and is not paid to those who do not satisfy them (i.e. there are no measurement errors, underreporting of resources by the applicants or administrative abuses).

In a more general sense, however, attention should be paid to the validity of the means-tested criteria to select those who are commonly considered to be in economic hardship. For instance, setting very tight limits on financial resources might exclude poor but risk-averse individuals from a MIS or fixing criteria based on residence might discriminate between those with or without the country citizenship.

This type of assessment is clearly crucial to assess the efficacy and the fairness of an MI scheme and should be seriously kept in mind by both researchers and policymakers, but is outside the scope of this report[48]. The aim of this section is more limited since it does not look at the plethora of eligibility criteria usually set by the countries with reference to MIS but aims to empirically analyse the intersection between the poverty status – as defined according to the common EU indicators – and the recipiency of non-contributory means-tested benefits (whose definition in the available micro datasets may, however, differ from the institutional definition of MIS). To this aim we make use of EU-SILC microdata for 2017 and measure, first, the contribution to poverty reduction exerted by main types of cash welfare transfers and, then, we compute, on the one hand, how many of those which are identified as poor according to the EU indicators are not receiving that certain type of benefit (i.e. a sort of 'type I error') and, on the other hand, how many non-poor individuals receive instead that certain benefit (the so-called 'type II error').

Before showing the results of these simulations, a major caveat is needed. **The EU-SILC does not explicitly record transfers for minimum income schemes as a specific income source** (Figari et al. 2013). **MI might be included in various EU-SILC variables and, at the same type, these variables might include other welfare transfers than MI.** Thus, the EU-SILC is probably not the best source for the empirical cross-country analysis of MIS adequacy and coverage, and its target efficiency[49]. Rather, detailed cross-country comparisons carried out by using and trying to homogenise national

[48] On this issue, see Figari et al. (2013) who, by using Euromod, compared the coverage and the adequacy of MI schemes in 13 EU countries. They found that in several countries some individuals are ineligible for MI even when they fall below a 40% of the median income poverty line and, moreover, that in certain countries a large fraction of those entitled to MI remain at very low levels of income even when MI benefit is added.

[49] For comparisons of benefits and adequacy of MIS for some representative individuals see OECD figures available at https://data.oecd.org/benwage/adequacy-of-minimum-income-benefits.htm.

information recorded in administrative datasets should be ideally carried out since only these data allow researchers to exactly identify MIS as the type of benefit under scrutiny. Nevertheless, in recent years, the EU-SILC has the advantage of recording – for all countries but Greece and Slovakia – the amount of non-contributory and means-tested welfare transfers received by households, and MI in all countries should be classified within non-contributory and means-tested benefits[50].

We consider in detail the three types of welfare transfers where MI might be recorded – non-contributory and means-tested allowances related to family, housing and social exclusion not elsewhere classified (variables hy053, hy073 and hy063 in the EU-SILC, respectively) – and study the overlap between the poverty status – as defined according to AROP-60, AROP-40 and SMD indicators – and the recipiency of these types of benefits. Before showing findings about such intersecting variables, it is interesting to compare across countries how the AROPE-60 rate reduces when various types of welfare transfers are added to household disposable income (Table 10). Independently of the type of cash transfers considered – all transfers apart from pensions, the sum of housing, family and social exclusion allowances, only the non-contributory means-tested benefits within these three allowances and only non-contributory means-tested social exclusion allowances, which should more precisely capture MI – large differences across countries emerge[51]. In some countries, as shown in Figure 19, a non-negligible reduction in the incidence of relative poverty emerges when these benefits are considered – e.g. the decrease in the AROPE rate exceeds 4 pp. when non-contributory and means-tested housing, family and social exclusion allowances are considered in Finland, France, Ireland, Netherlands and Cyprus – while the contribution of these benefits to lowering the AROPE is below 1 pp. in 9 EU countries.

[50] However, despite the homogenisation of country surveys in the EU-SILC, the rules followed by the national statistical institute about what policy measures to include in means-tested transfers might differ, thus plaguing the cross-country comparability of the collected data. In other terms, on the one hand, some components of MI might not be included about non-contributory and means-tested benefits and, on the other hand, these benefits might include benefits different from pure MIS.

[51] Note, however, that the sum of housing, family and social exclusion allowances cannot be considered as a good proxy of MIS since these allowances also include other types of benefits not devoted to MIS beneficiaries.

Table 10: Effect of various type of welfare transfers on the incidence of AROP-60 in 2017

	AROP reductions due to			
	Transfers other than pensions	Housing, family and social exclusion allowances	Non-contributory and means tested housing, family and social exclusion allowances	Non-contributory and means tested social exclusion allowances
AT	7.4	4.5	1.0	0.7
BE	5.7	1.5	0.4	0.4
BG	2.7	1.7	1.3	0.3
CY	5.1	4.3	4.0	1.5
CZ	3.3	1.8	0.7	0.1
DE	4.4	2.3	1.2	0.3
DK	7.9	2.3	1.9	0.0
EE	2.3	0.9	0.1	0.0
EL	2.8	2.3	n.a.	n.a
ES	3.6	0.4	0.4	0.3
FI	9.6	5.8	4.1	1.2
FR	7.6	5.1	4.2	1.3
HR	3.6	1.7	1.3	0.1
HU	8.6	6.5	1.6	1.1
IE	11.6	7.5	4.1	0.1
IT	2.5	1.6	0.4	0.0
LT	2.0	0.4	0.5	0.3
LU	7.3	3.3	0.7	0.6
LV	1.5	0.8	0.2	0.0
MT	5.2	3.7	3.5	2.5
NL	6.4	4.5	4.4	2.1
PL	6.8	4.9	2.6	0.0
PT	3.3	1.1	0.9	0.2
RO	3.1	1.9	0.1	0.1
SE	7.0	3.7	2.1	0.5
SI	6.4	3.1	2.7	1.2
SK	3.5	1.9	n.a.	n.a.

Source: authors' elaborations on EU-SILC data.

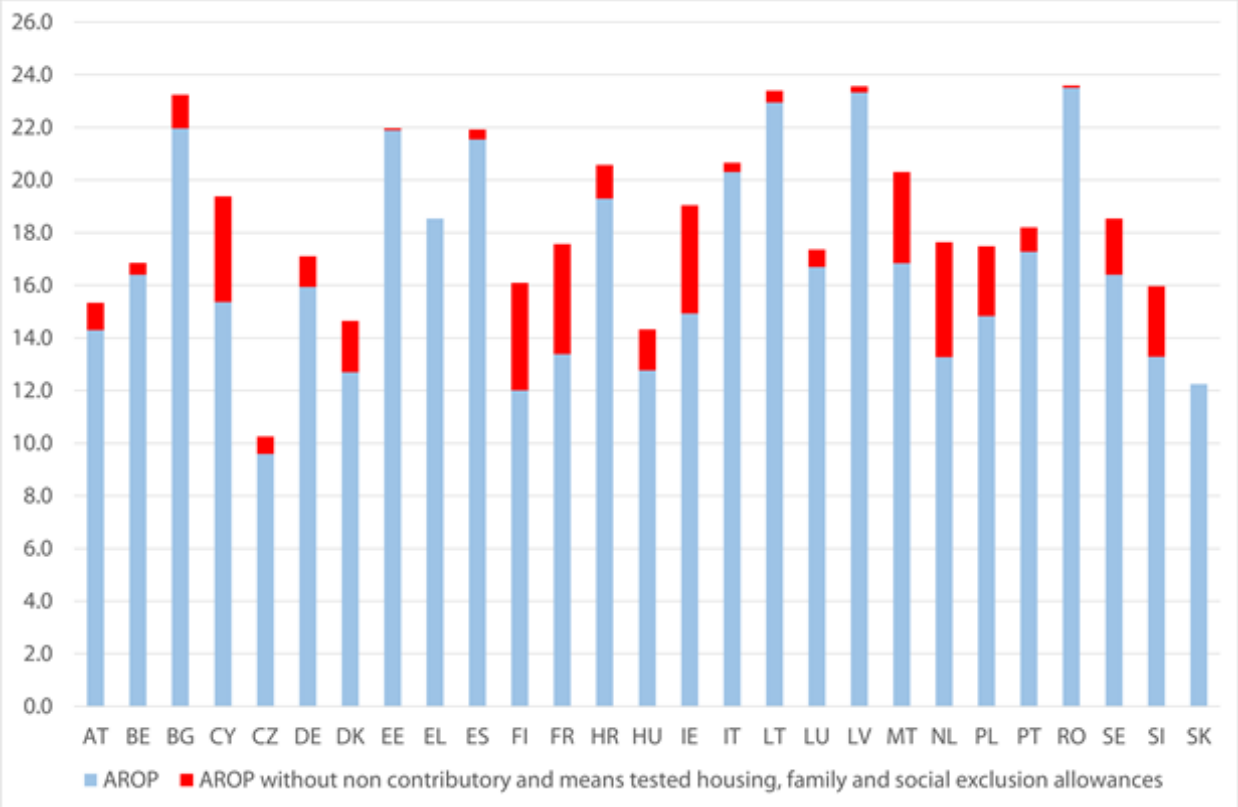
Note: The table shows the reduction in the AROP rate (expressed in p.p.) with respect to the AROP rate computed on equivalised disposable incomes.

However, as clarified in Chapter 1, the limited effect on the AROPE incidence may depend both on the lack of transfers to poor individuals and on the fact that a transfer with an amount that does not allow recipients to overcome the AROPE-60 line is received. To better assess the anti-poverty effect of these transfers, the analysis of the overlap between various indicators of poverty and material deprivation and the recipiency of these classes of non-contributory and means tested cash welfare transfers which might approximate MIS is shown (Tables 12-14).

It has to be noted that the share of recipiency of the three types of allowances considered here is extremely varied across countries (first column of Table 11, where these shares cannot be considered as an indicator of MIS coverage, because of the lack of perfect overlap between MIS and these allowances). In 5 countries, at least 30% of the individuals benefit from a non-contributory mean-tested allowance to protect against family, housing or social exclusion risks, while in 4 countries the share of beneficiaries is below 5%[52].

Likewise, when we **focus on the stricter category of non-contributory means-tested social exclusion allowances, where MI should likely be included**, the share of beneficiaries remains very heterogenous across countries, since in 4 countries more than 10% of individuals are recorded as recipients while, among the 23 countries which valorise this variable in the EU-SILC, 6 countries have a share of beneficiaries below 3% (second column of Table 11).

Figure 19: Incidence of AROP-60 with and without non-contributory and means tested cash welfare benefits in 2017 (% values)



Source: Authors' elaborations on EU-SILC data.

Finally, the most striking evidence of these analyses is that in a large majority of countries the overlap between the poverty status and the recipiency of these welfare transfers (which, it has to be remarked, do not necessarily overlap with MIS) is rather low (Tables 12-14). Focusing on the overlap between the AROPE-60 and all three transfers, in 19 out of 25 countries the share of those AROPE which do not receive any transfer is higher than 50% and, as expected, the there is even less of an overlap when the focus is on social exclusion allowances only. It is also interesting to observe that, in 18 out of 25

[52] Note, however, that the share of beneficiaries of means tested benefits largely increased in Italy because of the introduction of the minimum income scheme called Inclusion Income in 2018 and then replaced by the more generous Citizenship Income in 2019 (Raitano et al., 2018; Jessoula et al., 2019). Currently, according to the national social security institute (INPS) figures, around 1.2 million households and more than 3 million individuals benefit from the Citizenship Income and it is estimated that approximately 6% of the individuals resident in Italy received at least one monthly instalment of that benefit during 2020.

countries, the share of recipients of the three welfare transfers which are not in an AROPE-60 status exceeds 50% and a high share of 'type II errors' (i.e. non-poor recipients) also emerges when the focus is on social exclusion allowances only.

Finally, note that the picture of a weak overlap between the EU poverty indicator and the recipiency of non-contributory means-tested cash welfare transfers is confirmed when we focus on a stricter definition of the poor, thus adopting the 40% of the median poverty line to compute the AROPE rate (Table 13) or making use of the SMD indicator (Table 14).

Table 11: Share of recipients of non-contributory and means-tested cash welfare in 2017 (in % of total population)

	Share of beneficiaries of non-contributory and means tested housing, family and social exclusion allowances	Share of beneficiaries of non-contributory and means tested social exclusion allowances
AT	6.8%	4.1%
BE	4.0%	3.7%
BG	36.5%	10.2%
CY	41.5%	5.6%
CZ	8.9%	2.1%
DE	14.1%	2.4%
DK	16.5%	n.a.
EE	1.9%	n.a.
EL	n.a.	n.a.
ES	6.9%	4.4%
FI	21.4%	8.3%
FR	47.0%	18.0%
HR	18.2%	3.1%
HU	10.0%	6.4%
IE	22.3%	2.3%
IT	4.2%	1.0%
LT	16.0%	10.5%
LU	17.0%	9.0%
LV	6.0%	1.7%
MT	50.4%	39.0%
NL	24.2%	7.9%
PL	22.1%	2.1%
PT	29.1%	3.3%
RO	4.9%	4.9%
SE	13.9%	5.0%
SI	42.3%	12.2%
SK	n.a.	n.a.

Source: authors' elaborations on EU-SILC data.

Table 12: Cross between AROP status and recipiency of non-contributory and means tested cash welfare benefits in 2017

	Cross between AROP-60 and non-contributory and means tested family, housing and social exclusion allowances		Cross between AROP-60 and non-contributory and means tested social exclusion allowances	
	Not recipients among those in poverty	Non poor among recipients	Not recipients among those in poverty	Non poor among recipients
AT	77.8%	53.5%	84.9%	47.1%
BE	81.5%	25.0%	81.7%	18.0%
BG	40.3%	64.1%	70.9%	37.2%
CY	50.3%	81.6%	81.3%	49.1%
CZ	63.4%	60.7%	83.8%	26.0%
DE	63.8%	59.0%	90.7%	38.0%
DK	53.9%	64.4%	n.a.	n.a.
EE	93.7%	28.2%	n.a.	n.a.
EL	n.a.	n.a.	n.a.	n.a.
ES	87.0%	59.6%	91.5%	58.3%
FI	39.8%	66.2%	71.6%	58.9%
FR	19.3%	77.0%	47.8%	61.2%
HR	62.3%	60.0%	90.6%	41.1%
HU	75.4%	68.6%	86.9%	73.9%
IE	52.3%	68.1%	92.6%	52.4%
IT	88.8%	45.8%	96.7%	31.7%
LT	64.4%	48.9%	72.5%	40.1%
LU	54.7%	55.5%	60.5%	26.5%
LV	81.8%	29.0%	94.2%	21.1%
MT	26.0%	75.3%	47.4%	77.3%
NL	39.6%	66.9%	70.7%	50.5%
PL	65.3%	76.7%	92.6%	47.3%
PT	56.2%	74.0%	87.8%	36.5%
RO	84.9%	27.9%	84.9%	27.9%
SE	50.8%	41.9%	75.8%	21.5%
SI	45.8%	83.0%	67.4%	64.6%
SK	n.a.	n.a.	n.a.	n.a.

Source: authors' elaborations on EU-SILC data.

Table 13: Cross between AROP-40 status and recipiency of non-contributory and means tested cash welfare benefits in 2017

	Cross between AROP-40 and non-contributory and means tested family, housing and social exclusion allowances		Cross between AROP-40 and non-contributory and means tested social exclusion allowances	
	Not recipients among those in poverty	Non poor among recipients	Not recipients among those in poverty	Non poor among recipients
AT	73.9%	83.0%	80.2%	78.5%
BE	81.1%	82.6%	81.5%	81.2%
BG	28.9%	82.1%	60.0%	64.0%
CY	60.9%	97.8%	83.7%	93.1%
CZ	41.8%	88.0%	68.1%	71.9%
DE	65.0%	88.2%	91.1%	82.3%
DK	63.2%	90.6%	n.a.	n.a.
EE	88.3%	60.2%	n.a.	n.a.
EL	n.a.	n.a.	n.a.	n.a.
ES	83.4%	78.0%	89.5%	78.0%
FI	37.2%	94.0%	79.2%	94.8%
FR	17.3%	95.5%	40.9%	91.7%
HR	59.2%	81.4%	85.1%	60.1%
HU	74.5%	87.3%	85.9%	89.0%
IE	70.6%	96.4%	97.8%	97.4%
IT	87.8%	72.7%	96.0%	61.8%
LT	51.4%	71.6%	59.7%	64.2%
LU	55.4%	83.5%	59.1%	71.3%
LV	73.6%	58.8%	89.7%	44.1%
MT	41.1%	95.9%	71.0%	97.4%
NL	57.2%	93.4%	84.7%	92.7%
PL	67.2%	92.4%	89.6%	74.4%
PT	50.7%	89.9%	77.4%	59.3%
RO	79.0%	46.2%	79.0%	46.2%
SE	56.1%	86.2%	70.1%	74.1%
SI	47.2%	96.2%	60.5%	90.1%
SK	n.a.	n.a.	n.a.	n.a.

Source: authors' elaborations on EU-SILC data.

Table 14: Cross between SMD status and recipiency of non-contributory and means tested cash welfare benefits in 2017

	Cross between SMD and non-contributory and means tested family, housing and social exclusion allowances		Cross between SMD and non-contributory and means tested social exclusion allowances	
	Not recipients among those in poverty	Non poor among recipients	Not recipients among those in poverty	Non poor among recipients
AT	56.6%	82.2%	65.1%	76.1%
BE	64.9%	56.7%	65.6%	53.1%
BG	51.1%	74.0%	72.2%	47.0%
CY	31.7%	83.7%	78.1%	61.5%
CZ	48.7%	84.0%	73.4%	64.7%
DE	39.8%	87.3%	84.3%	80.5%
DK	37.4%	86.9%	n.a.	0.0%
EE	81.3%	66.6%	n.a.	0.0%
EL	n.a.	n.a.	n.a.	n.a.
ES	76.2%	81.7%	86.8%	83.9%
FI	22.1%	89.7%	45.4%	81.3%
FR	12.7%	91.7%	43.6%	86.0%
HR	62.4%	82.7%	85.7%	61.3%
HU	64.4%	65.2%	75.2%	62.1%
IE	35.6%	85.7%	93.2%	85.5%
IT	87.7%	75.2%	95.3%	59.8%
LT	61.6%	73.9%	67.5%	66.5%
LU	29.8%	94.7%	37.5%	91.1%
LV	75.1%	63.4%	92.7%	62.7%
MT	11.7%	95.1%	28.5%	94.9%
NL	15.3%	92.2%	36.2%	81.9%
PL	56.2%	91.0%	81.7%	59.9%
PT	54.3%	90.6%	82.1%	67.7%
RO	87.2%	63.6%	87.2%	63.6%
SE	28.1%	94.8%	56.3%	91.3%
SI	38.4%	94.6%	47.4%	84.2%
SK	n.a.	n.a.	n.a.	n.a.

Source: authors' elaborations on EU-SILC data.

These simple computations show that the overlap between the most commonly used poverty concepts at the EU level and the entitlement to MIS is far from perfect. It is not clear, however, whether this is due, e.g. to the aforementioned limits in the EU-SILC to identify MIS beneficiaries, or to the use of national criteria other than those followed in the EU definition of poverty to identify people most in need, or even to high non-take-up rates of social benefits among potentially eligible people. Further studies – much wider in their scope than the current report – on detailed country cases studies on the comparability of ESSPROS (European System of integrated Social Protection Statistics) and EU-SILC data about minimum income schemes should be carried out in order to evaluate where the various components of minimum income packages are included in the various countries in both official statistics and survey data. In addition, these cross-country comparisons should be matched with crucial information provided by national administrative datasets allowing researchers to precisely identify who is entitled to receive a certain benefit according to the (often very complex) national rules and, therefore, to assess the extent of type I and II-type II errors and the individuals' characteristics associated with these two types of errors[53].

3.3. Comparing minimum income schemes across six EU countries

When selecting the case studies for analysis, two main criteria were followed. These criteria are reported in table 15 which combines two main analytical dimensions: i) the generosity of minimum income schemes (MIS) before the COVID-19 pandemic, according to the classification provided by Natili which reports MIS benefit level for "single member households" and "couples with two children" as well (cf. Natili 2019a, table 2), and ii) the magnitude of the COVID-19 crisis' impact on income from work – captured as the change in median employment income between 2019 and 2020 (cf. SPC/EPC 2021).

Among countries where the impact of the crisis was high, two southern European countries were selected: Italy and Spain. These are interesting for three different reasons. First, they had been severely shaken by the previous Great Recession (2008-14), and their poverty/social exclusion rates were still recovering when the pandemic hit; second, they represent cases of substantial MIS expansion in recent years, although with some differences. Third, Italy had recently established (2018) and then expanded (2019) a national minimum income scheme, which was not reformed during the COVID-19 pandemic, whereas Spain introduced a national minimum income scheme during the COVID-19 crisis.

Turning to countries reporting a medium impact of the COVID-19 crisis on the loss of employment income, two countries with MIS of different generosity for single member households/couples with two children[54] were selected: Germany (medium generosity), Estonia (low generosity). Finally, two countries which experienced limited impact of the COVID-19 crisis were selected representing "polar" cases in the field of MIS and poverty levels: Denmark, on the one hand, constitutes a case of generous MIS – as well as extremely low severe material deprivation and AROPE rates – whereas Hungary is a case with limited generosity of MIS and high severe material deprivation rates before the pandemic.

The same analytical framework was applied to capture variation of MIS in the six selected countries. This framework included the following analytical dimensions.

[53] For instance, at the national level, the Italian Ministry of Economy and Finance and Sapienza University of Rome have recently launched a project based on linked survey and administrative databases to assess how absolute and relative poverty status indicators cross with the several means testing conditions established to be eligible for the Citizenship Income.

[54] Importantly, generosity may vary when different household types are considered. See the OECD database on the "Adequacy of Guaranteed Minimum Income benefits", available at: https://data.oecd.org/benwage/adequacy-of-minimum-income-benefits.htm.

First, the *trajectory* of MIS in the last two decades was traced in order to both illustrate main reforms and identify the overall policy direction – the latter captured in terms of expansion, retrenchment, stability, residualisation and activation.

Second, the main *institutional features* of MIS were illustrated, including: a) eligibility conditions among which means-testing, age and residency requirement); b) benefit amount and duration; c) activation measures and conditionality mechanisms.

Third, some *output indicators* such as d) coverage; e) expenditure were presented and then compared.

Table 15: Main criteria and country selection

	Generosity of MIS for single member households & couples with two children		
Impact of the crisis	High	Medium	Low
High	Italy*	Spain	
Medium		Germany	Estonia
Low	Denmark		Hungary*

Source: Authors' elaboration.

Note: In the Italian case, the generosity of MIS is different from that reported by Natili (2019a) because the 2019 reform greatly increased the amount of minimum income benefits; *Natili did not include Hungary due to data unavailability.

3.3.1. Italy

a. MIS policy trajectory

In line with the "double distortion" (i.e. functional and distributional, cf. Ferrera et al. 2012) of the Italian "unbalanced welfare state" (Ascoli 1984, Ferrera 1984), both social assistance (SA) and labour market/unemployment policies have traditionally been dramatically underdeveloped. In the field of social assistance, anti-poverty measures remained extremely weak, characterised by limited generosity, low coverage and also expenditure. The allocation of responsibility in this field to regions (partial competence in the 1970s, then exclusive full competence in 2001) contributed to the emergence of a patchwork of diverse, residual anti-poverty measures in the last four decades (Fargion 1987, Madama 2010). Most importantly, national anti-poverty measures were all categorical – i.e. targeting specific groups such as the elderly (social pension) – and often contributory (family allowances): a means-tested minimum income scheme did not exist until 2018.

Rudimentary social assistance went hand in hand with underdeveloped unemployment benefits (UB) and Active labour market policies (ALMPs) until the 2008 global economic crisis. Such a weak model of protection for individuals and workers against the risks of poverty, social exclusion and unemployment was at least partly compensated by protective labour market regulation until the late 1990s (Jessoula and Vesan 2011), as well as the key role of households, kinship networks and confessional charities in providing last resort assistance in accordance with the southern model of welfare (Ferrera 1996, Saraceno 1997).

Things started to change in the 1990s, when the combination of functional pressures (de-industrialisation, emergence of the service economy, change in poverty profiles) with politico-institutional novelties (EU integration process, transformation of the party system, neo-liberal shift) and policy reforms – primarily, labour market flexibilisation since 1997 – prompted a gradual strengthening of both labour market and social assistance measures. Contributory unemployment benefits, in

particular, were reinforced with respect to both levels and coverage (Jessoula et al 2010). As to the benefit levels, the replacement rate[55] of ordinary UB (currently named New Social Insurance Provision for Employment (NASPI)) went from 8.5% in 1988 to 75% in 2015, whereas the relaxation of eligibility conditions in 2012 and 2015 made the system more inclusive and protective, especially for atypical workers on fixed-term contracts and labour market entrants.

Developments in social assistance anti-poverty measures were less linear and straightforward, the Italian trajectory in the field of minimum income schemes (MIS) being "exceptional". The "Italian exceptionalism" in the field of MIS relates to the peculiar policy trajectory since the mid-1990s (Jessoula and Natali 2020). In fact, Italy was the last EU-28 country to introduce a last-resort safety net for working-age individuals in the form of a fully-fledged national minimum income scheme in 2018 (REI, Inclusion Income), which was later replaced by a more generous MIS, the so called Citizenship Income, in 2019. Moreover, the long lasting absence of MIS in the Italian welfare state was not due to political inertia (which had previously marked the post-WW2 decades), nor to institutional resilience, but rather the result of an inconsistent policy trajectory, with several *attempts of "path departure"*[56] (Natili 2019b) soon followed by *policy reversals* both at the national and the regional level (Madama et al. 2014). Box 1 below summarises these policy developments and underpinning political dynamics. Overall, Italy represents a case of major *expansion* of MIS combined, as we will see below, with increased *conditionality and activation* (at least on paper, see the next section).

[55] The replacement rate refers to the ratio between unemployment benefit and previous income from work.

[56] In social policy literature, path departure refers to policy changes implying a substantial deviation from the original institutional path (cf. Pierson 1994). See also Natili (2019b) and Jessoula and Natili (2020) on MIS trajectory in Italy.

Box 1: Policy developments and political dynamics in the field of MIS in Italy

In 1998, a first pilot MIS was introduced in 39 municipalities, and later extended to around 200 municipalities in 2002. Designed as an "insertion" income combining a means-tested monetary transfer with active inclusion measures, it was subsequently discontinued by the centre-right government in 2004. Meanwhile, Constitutional Law 3/2001 devolved competences in the field of SA to regions, giving central government the power to establish so-called minimum standards of assistance throughout the national territory. Since the latter were not defined by the subsequent governments, when the economic crisis broke out in 2008, Italy still lacked an anti-poverty safety net based on the principle of "selective universalism".

Structural transformations in the labour market and family structures contributed to diminished protection against poverty. Functional pressures increased dramatically with skyrocketing poverty and social exclusion rates in the Great Recession phase 2008-14, leading to increased public attention for the issue. Meanwhile, the transformations on the side of both political offer – i.e. parties and party system – and socio-political demand – i.e. interest groups – brought the issue of poverty and anti-poverty measures back on the agenda.

Initially, however, the centre-right Berlusconi government stressed the virtues of the traditional "subsidiarity model" – based on the key role of households and faith-based associations in fighting poverty – and introduced only minor emergency measures between 2008 and 2011. In particular, the Social Card (SC, Carta Acquisti) was introduced: a pre-paid card to purchase food and pay for utilities, initially intended to support low-income pensioners (over 65) and later extended to children below the age of 3. The extremely low value (€40 per month), its categorical character and limited coverage, tight eligibility criteria, and the lack of activation requirements indicated the residual and passive (if not merely symbolic) nature of the programme.

Things changed after the 2013 general election, when strengthened advocacy and reinforced political competition dynamics brought about further policy developments in the field. The new government introduced a pilot, residual anti-poverty programme New Social Card in the 12 most populated cities. Then, in 2015, the New Social Card was replaced by a nation-wide programme named "Active Inclusion Support" (SIA), with limited funding – only €167 million was devoted to this measure – and it could not be considered a fully-fledged MIS especially in light of its categorical access requirements – the sole such model among European countries: in order to access SIA, poor households had to meet at least one of the following conditions: i) one child younger than 18 years; ii) a disabled child; iii) a pregnant woman.

In 2017, Legislative Decree 147/17 replaced SIA with the so called Inclusion Income (REI), starting in January 2018. Similar to the SIA, the REI was designed as a means-tested monetary benefit conditional upon signing an "individual social contract" aimed at promoting active inclusion through individualised plans and service provision. Unlike the SIA, however, REI was a structural – not a pilot – measure without (after July 2018) the categorical requirements that characterised the SIA. Thus, two decades after the launch of the pilot Minimum Insertion Income, Italy eventually introduced a national MIS. Nevertheless, some features of REI made the programme peculiar in comparative perspective: indeed, it was one of the least financed, generous and inclusive minimum income schemes in Europe. Due to severe budgetary constraints, only a limited number of poor individuals could receive this benefit, which was also very meagre – equal to €187.5, i.e. 23.7% of the relative poverty line, for single member households. Furthermore, strict duration limits, constraints on beneficiaries' discretion in the usage of the monetary component as well as a pervasive sanctioning system led experts to question the effectiveness of REI in actually "empowering" the poor.

After "earthquake" political elections in 2018 and the establishment of Conte I Government (M5S-The League), Law Decree No 4/2019 introduced the Citizenship Income (RdC), replacing REI since April 2019 – thus leading to full institutionalisation of MIS in Italy. Although the name recalls the idea of a universal unconditional basic income, the Italian RdC is a monetary benefit targeted to poor households, strictly conditional on participation in job-search activities (increased activation and conditionality).

Source: Authors' elaborations.

b. MIS institutional features

Eligibility

Since April 2019, the Citizenship Income (*Reddito di Cittadinanza, RdC*)[57] is Italy's national MIS. Although the name recalls a universal unconditional basic income, the Italian Citizenship Income established an individual right to last-resort means-tested cash benefits targeted to poor households, conditional on participation in job-search activities. Compared to the previous Inclusion Income REI – established in 2018 and then replaced by RdC – the Citizenship Income is endowed with more budgetary resources, is more generous and inclusive, and has a longer duration (for a comparison, see Raitano et al. 2018; Jessoula et al. 2019). However, the Citizenship Income is characterised by stricter conditionality rules for beneficiaries.

To be eligible for the Citizenship Income, households must have a maximum annual ISEE (Indicator of equivalised economic conditions, that takes into account both income and wealth) of €9,360 and an equivalised income no higher than €6,000. Moreover, housing wealth (excluding primary residence) cannot exceed €30,000 and, for a single-member household, financial wealth cannot exceed €6,000 – this limit is raised by €2,000 for any other household member with a maximum of €10,000 (further increased by €1,000 for any dependent child over the third child). The Citizenship Income may also be received by beneficiaries of unemployment benefits if they fulfil means-testing conditions.

Eligibility criteria also include 10 years of residence in Italy – and the last 2 years continuously spent in the country. In addition, non-EU citizens have to provide official documents certified by their country of origin about their housing and financial wealth.

There are no specific conditions related to age, since the benefit can be paid to all adult individuals.

Benefit amount and duration

The benefit for a single-member household tops up annual income[58] to €6,000 – i.e. 58% of the relative poverty threshold (€10,299/year in 2019, Eurostat *ilc_li01* indicator). This increases with family size according to an equivalence scale attributing 0.4 to all adults and 0.2 to all minors in addition to the head of household. A maximum equivalence coefficient of 2.1 is also established (2.2 if there is a disabled member). Consequently, a couple (counting 1+0.4) with a minor (0.2) receives €9,600/year maximum, while the total maximum amount – received by a household composed of more than 2 adults and 3 minors – is €12,600.

Moreover, Citizenship Income provides an additional €280 to top up the monthly benefit in the case of households that rent – thus bringing the benefit amount to ca. 90% of the relative poverty threshold – whereas a €150 top-up is paid to beneficiaries who pay a mortgage (the amount of these extra benefits is independent of household size). Citizenship Income is paid for 18 months but it can be renewed after a one-month suspension[59].

Activation and conditionality

Conditionality requirements are strict. To avoid losing entitlement, beneficiaries have to: i) sign a 'Pact for work' with PES (Public employment services); ii) in the first 18 months, accept at least one out of three 'adequate' job offers (an offer is considered adequate if the monthly wage is over €850; the first

[57] See the official page, in Italian, available at: https://www.redditodicittadinanza.gov.it/.

[58] Accordingly, benefit reception can be combined with gainful activity.

[59] Citizenship Income is credited on an electronic card, which can be used to buy consumption goods and services (with some exclusions). Maximum €100 per month can be withdrawn in cash. If beneficiaries do not spend the whole sum, the following month the Citizenship Income is reduced by the saved share (the reduction cannot however exceed 20% of the total Citizenship Income).

job offer is considered adequate if the workplace is no more than 100 km away from the place of residence; the distance increases to 250 km and to the whole Italian territory for the second and third offers respectively; in case of benefit renewal, the first job offer has to be accepted regardless of the distance from residence); iii) be available to participate in (maximum) 8 weekly hours of 'socially useful activities' identified by municipalities; iv) sign a 'Social Inclusion Pact' with municipal social services, if poverty depends on 'multi-dimensional' needs and not only on unemployment. Since the activation component of the Citizenship Income started to be implemented in the last trimester of 2019 and was subsequently suspended due to the impact of the pandemic, it is too early to assess if – and to what extent – conditionality rules are strictly enforced and/or activation services are working effectively.

Expenditure and coverage

The budgetary resources allocated to the "Fund for the Citizenship Income" amount to €7.0 billion in 2019 – €6.3 billion for the monetary component and the rest for strengthening ALMPs – increasing to €8.5 billion (8.0 billion for cash transfers) from 2021. In 2020, €7.2 billion were spent on RdC benefits, corresponding to 0.43% of GDP.

Coverage is relatively broad in comparative terms, with 1.3 million households receiving at least one monthly instalment in 2020, corresponding to 3.08 million individuals and ca. 5.1% of the total population.

3.3.2. Spain

a. MIS policy trajectory

Presenting the main traits of the "southern European model of welfare" (Ferrera 1996), the Spanish welfare state is biased towards the elderly – especially through contributory old age pensions – and the unemployed in light of structurally high levels of unemployment (Guillén and León 2011). Until the late 1980s, protection against unemployment was organised along a two-tier system including both Unemployment insurance (UI) and Unemployment assistance (UA). In such context, social assistance remained traditionally under-developed, relying heavily on informal welfare provision within family and kin networks, at least until the mid-1990s.

However, Spain was the first southern European country to establish minimum income safety net schemes – although very residual and only at the regional level – which enabled a departure from the traditional familialistic welfare model.

Regional MIS (RMIS) started in 1989, in the Basque country, and then spread across other regions: in 1990, eleven regions had established MIS (Ibanez et al. 2021). From then on followed a period of further spread to the remaining regions and full *institutionalisation* of RMIS (Natili 2019b). This occurred in a context characterised by repeated retrenchment interventions on unemployment benefit schemes and especially UI, that – after the expansionary measures adopted to catch up with European standards in the 1980s – was made less generous in terms of duration (1992), while eligibility conditions were also made stricter (1992 and 2020). Retrenchment of UI caused a shift of beneficiaries to the UA scheme.

Due to increased pressure during the Great Recession phase (2008-12), RMIS were both reinforced and expanded – although unevenly across *Communidades Autonomas* – i.e. the Spanish regions. Some regions reformed MIS in order to make them more inclusive and, importantly, RMIS were all recognised as social rights, although mostly conditional on activation programmes (Ibanez et al. 2021). Accordingly, coverage increased from 0.64% (2007) to 1.7% (2017) of the total population.

On a similar note, in the post-2008 crisis period, beneficiaries of non-contributory social assistance benefits – such as UA, agricultural subsidy, regional MIS and active insertion income – peaked at 5 million.

In such a context, RMIS in particular became increasingly relevant in the fight against poverty and social exclusion (Aguilar-Hendrickson and Arriba 2020), although they remained residual programmes in an "uncoordinated decentralised model" of minimum income protection marked by substantial territorial differences (Natili 2019; Ibanez et al. 2021).

Against such a backdrop, the decision taken by the left-wing Spanish government in May 2020, to establish the first national MIS – *Ingreso Minimo Vital* (IMV) – marks a break with the previous decentralised model. This novelty is expected to lead to increased coordination and strengthened protection in a fully-fledged multilevel governance framework – although several implementation coordination issues need to be addressed in the course of 2021.

Overall, beside recent centralisation, the Spanish MIS followed an *expansionary* trajectory in the last two decades and possible turn towards increased *conditionality and activation* with the IMV, although only the actual implementation of the latter will reveal its more or less conditional and activating nature.

b. MIS institutional features

Among the countries with a MIS of medium generosity, Spain represents an interesting case in the light of the peculiar governance structure in this field, a result of programme stratification in the last three decades, and recent policy changes as well.

Actually, until 2020, Spain presented an "uncoordinated, decentralised model" of minimum income protection (Natili 2018; Ibanez et a. 2021), with established MIS in all 17 *Comunidades Autónomas*.

However, against the backdrop of such a decentralised policy framework, in the midst of the COVID-19 pandemic, the left-wing Spanish government has made a major step forward in the fight against poverty by introducing a national MIS called *Ingreso Mínimo Vital*[60] (IMV). IMV is conceptualised as a "subjective right to an economic benefit that guarantees a minimum level of income to those who are in a situation of vulnerability" (Ibanez et al. 2021: 9).

Eligibility

In all regions, MIS are means-tested social allowances for working age individuals. However, the decentralised Spanish model of MIS has led, in the last three decades, to major territorial differences in scope, coverage, generosity, expenditure as well as effectiveness of the various regional MIS (Natili 2018; Ibanez et al. 2021). Also the minimum age to be entitled to these benefits varies between "23 years old in La Rioja or in the Basque Country; 25 years old in Galicia or Extremadura; [and] 26 years old in Melilla" (Ibanez et al. 2021: 8).

The minimum age to be entitled to IMV is 23 years, combined with a one-year minimum residence requirement in the country. The programme's means-test includes income, asset and property but, importantly, IMV is fully compatible with RMIS.

[60] See the official page, in Spanish, available at: http://www.seg-social.es/wps/portal/wss/internet/Trabajadores/PrestacionesPensionesTrabajadores/65850d68-8d06-4645-bde7-05374ee42ac7?changeLanguage=es.

Benefit amount and duration

As mentioned, the RMIS amount varies substantially across the various regions, along with benefit duration which ranges between 12 months and unlimited.

As for the IMV, the guaranteed annual income for an individual beneficiary is 100% of the amount of non-contributory pensions set annually in the General State Budget Law: therefore, in 2020, the annual amount of guaranteed income for an individual beneficiary amounts to €5,538, equal to 61.4% of the (2019) relative poverty threshold – i.e. 60% of the median equivalised income corresponding to €9,009/year (Eurostat, indicator *ilc_li01*). Accordingly, for the same individual beneficiary, the annual benefit amount corresponds to the difference between her actual income and €5,538: supplements are also provided for single parents (+22%), and +30% for each additional household members up to a maximum increase of 220%.

The duration of IMV is unlimited, provided the need persists.

Activation and conditionality

Regional MIS (RMIS) always combine a monetary transfer for poor households with "individual insertion programmes (PINI) [… comprising] both social inclusion and labour market measures. Thus, the link to the participation to PINI as a condition to cause and maintain benefits can be strong or weak, depending on the region (Valdueza, 2019)." (Ibanez et al. 2021: 7). Moreover, sanctions related to conditionality rules are not compulsorily applied in all regions.

Turning to IMV, the benefit payment is conditional on activation programmes that comprise both labour market integration and social inclusion measures. Also, in order to avoid inactivity traps, IMV can be paid as an "in work benefit". Since the programme was legislated in May 2020, it is still in its early implementation phase and it is thus too early to assess the enforcement of conditionality and activation mechanisms. This is especially true since IMV implementation is likely to present hurdles, mostly as a result of the multilevel framework for coordination, which includes the central state, the Spanish regions (*Comunidades Autónomas*) and municipalities as well.

Expenditure and coverage

Despite major expansion of regional MIS, especially during the Great Recession phase 2008-13, total expenditure remained comparatively low – 0.13% of GDP in 2015 – as well as coverage which is still below 2% of total population (1.7% in 2015).

These figures are, however, expected to grow substantially due to the establishment of the national MIS IMV.

3.3.3. Germany

a. MIS policy trajectory

Compared to most countries with an established MIS, Germany stands out as a case of system overhaul in the early 2000s. The Hartz IV reform thoroughly restructured the welfare state architecture in the field of unemployment protection and social assistance in 2005, shifting from a three-tier to a two-tier system with the merging of pre-existing Unemployment assistance and Social assistance into a new means-tested "basic income support for needy jobseekers" (Kone-Seidl et al. 2008) (*Grundsicherung für Arbeitsuchende*, SGBII-UBII[61]) – accompanied by a separate basic income scheme for those unable to work and the elderly (*Grundsicherung für Erwerbsunfähige und im Alter*, SGBXII or Social Code

[61] SGBII-UBII: Social Code *(Sozialgesetzbuch)*, Book II - Unemployment Benefit II.

(*Sozialgesetzbuch*), Book XII).

The reform initially resulted in increased pressure on SGBII-UBII because, when merging social assistance and unemployment assistance in 2005, 90% of former social assistance were assessed as capable of working and thus transferred to SGBII (Kone-Seidl et al. 2008).

The system change (from Bismarck to Beveridge) is still highly debated and Hartz IV has a central role in social policy and social protection. However, only minor adjustments of the German MIS were implemented, and in a context of declining unemployment, severe material deprivation and at-risk-of-poverty-and-social exclusion rates since 2008, both expenditure and beneficiaries substantially diminished: the former went from 1.8% to 1.3% of GDP between 2010 and 2019, the latter were reduced by 1.5 million individuals since 2007 (despite a high inflow of migrants into the SGB II system since 2015).

Interestingly, the main changes of MIS after the 2005 reform concerned improved access to *activation* measures – both with respect to ALMPs, and inclusion measures for children (see below) in order to reinforce the enabling character of the scheme – and, notably, *softened conditionality*. With respect to the latter, in 2019, following a ruling by the Federal Constitutional Court which stated "stricter sanctions (reduction of more than 30% of the benefit) as unconstitutional as they do not comply with the basic principle of the protection of a minimum standard of living" (Grages et al. 2021) conditionality mechanisms and especially sanctions were softened.

In addition to these key changes, in 2010, a Federal Constitutional Court decision addressed the issue of MIS adequacy, with particular reference to the calculation of benefits for children aged less than 14 years. "Following the court decision, the calculation of the respective benefits for different age groups had to be reformed and made more transparent. While this made no significant changes to the level of the benefit (Hanesch 2015), the benefits for children were restructured and more graduated" (Grages et al. 2021) (see benefit levels below). Moreover, means-testing conditions were softened by substantially disregarding accumulated contributions in private pension schemes

b. .MIS institutional features

According to Natili (2019a), the minimum income scheme UBII-SGBII, as reformed in 2005, plays a "central" role in the income maintenance system for the unemployed and non-employed population and their dependents in Germany".

Eligibility

UBII-SGBII is actually targeted at working age people between 15 and 65/67[62] years old, providing ad-hoc cash benefits to legal residents who pass a strict means-test, the latter taking into consideration assets (with several limitations, e.g. cars, €60,000 per adult, etc.[63]) and income, also including social transfers.

There are neither nationality nor long-term residency requirements and the benefits are backed by a subjective right to assistance.

Those eligible are able-bodied individuals who are in need of support, capable of working at least 3 hours per day, including persons living with the claimant in a joint household ("*Bedarfsgemeinschaft*").

Accordingly, "In 2019, 5,531,318 persons were entitled to UBII, [...] Most of those entitled to UBII were capable to work (3,894,008), 1,017,771 were employed and 1,433,640 unemployed, 708,203 were under

[62] The age bracket depends on gradually increasing pensionable age in Germany.

[63] See Missoc comparative tables for the full list of exemption, available at: https://www.missoc.org/missoc-database/comparative-tables/.

25 years and 705,726 were between 56 and pension age (about 65–67). Incapable to work were 1,582,043 persons, mainly because they were younger than working-age (under 15) and they live in the same household of an able bodied UBII recipient. Altogether, 2.9 million joint households were eligible for UB II, most of them consisted of singles (1,604,347), 526,635 were single parents, 469,399 partners with children, 250,976 had no children. Moreover, 3,930,939 claimants had the German citizenship, 2,092,392 did not" (Grages et al.,2021: 9). Importantly, non-take up is estimated at between 33% and 40% of potential beneficiaries.

Benefit amount and duration

The benefit amount is set at the federal level, and it varies in accordance with six different levels of so called "standard needs" calculated in accordance with the modified OECD scale: the maximum for single and single parents is €432/month; partners in a couple are entitled to €389/month each; €345/month for adults in a residential facility, whereas the allowance for each child ranges between €250/month and €328/month in accordance with the child's age. For a single adult beneficiary, this amount corresponds to 37% of the relative poverty threshold, a level which is often criticised by civil society organisations (CSOs) for being too low (Grages et al. 2021).

Benefit duration is unlimited, provided the condition of need persists.

In addition to minimum income benefits, beneficiaries receive full coverage of housing costs, which makes the German MIS significantly more generous. According to the OECD database on the "Adequacy of Guaranteed Minimum Income benefits", including housing supplements, the benefit for a single adult would reach 44% of the median disposable income.

Activation and conditionality

Conditionality and especially activation requirements are rather strong.

However, the latter are not merely geared toward workfare measures but also include social inclusion measures. For working age individuals, the activation component of UBII-SGBII includes participation in ALMPs through counselling, vocational training and job placement[64]. In particular, as argued by Grages et al. (2021): "there has been a readjustment of ALMPs: since 2010, measures like counselling and mentoring programmes have been extended for UBII claimants and workfare measures had to be used less frequently since 2012". Moreover, "inclusionary measures and benefits for education and participation of children [in social and cultural activities, Author's addition] were introduced in 2011 and have been slightly extended since then"[65].

As for conditionality, benefit recipients are subject to both a job-search requirement and acceptance of any suitable job offer (with a maximum of 2.5 commuting hours per day). In case of non-availability/suitability, sanctions may imply up to a 30% benefit reduction for three months.

[64] "Claimants of UBII are entitled to receive some of the services for re-(inclusion) into the labour market including counselling and job placement, vocational training and further training according to Social Code III that primarily targets the short-term unemployed. Persons who wish to become self-employed could receive €5,000 for necessary equipment. Job centres can also place claimants into low-wage work programmes such as the job opportunity for work in the general public interest that is remunerated with a very low salary ("1-EURO-jobs"). Job centres offer wage subsidies for the reintegration of hard-to-place long-term unemployed at least for two years in often marginal employment: 75% of the wage in the first year and 50% in the second." (Grages et al. 2021).

[65] "Since 2011, the minimum income schemes include measures to promote the education and participation in social and cultural activities for persons younger than 25 years old. For instance, the costs for day excursions or school trips of pupils and children in kindergartens are covered as are costs for transportation, school equipment and lunch. Usually these costs are covered either in-kind, as vouchers, direct public transfer or cash payments. The participation in social and cultural activities is supported with €15 per month for children". (Grages et al 2021).

Importantly, in order to avoid poverty and inactivity traps, the scheme also allows the payment of "benefit in-work", since marginal income from work is disregarded in the means-test[66].

Coverage and expenditure

Despite criticism related to the benefit level, both expenditure and coverage of UBII-SGBII are high in comparative terms: resources allocated by the Federal government correspond to 1.3% of GDP, while coverage was at 7.4% of the population in 2020.

3.3.4. Estonia

a. MIS policy trajectory

Estonia ranks among the European countries with the lowest per capita social protection expenditure: 4,162 PPS (purchasing power standards[67]) vs 8,709 PPS in the EU27 in 2018. In a context of limited welfare state expenditure, the national MIS named "Subsistence Benefit" (SB) was established in 1995, with the adoption of the Social Welfare Act, and subsequently revised several times, as well as increased annually in order to maintain its purchasing power.

The overall welfare state architecture in the fields of unemployment and anti-poverty policies presents a three-tier configuration. The first tier is constituted by the Unemployment Insurance scheme (UI), with relatively strict eligibility conditions, and duration ranging between 180 and 360 days. Unemployment Allowance (UA) constitutes the second tier, with a maximum duration of 270 days. Subsistence Benefit represent the third, residual, and not generous tier, currently conceptualised as "a temporary benefit to alleviate material deprivation of persons and families" (Hunt et al. 2021: 19).

In the last two decades, no major reforms of MIS were adopted and expenditure on SB has diminished considerably since the early-2000s. This is, on the one hand, the result of both declining poverty rates and expanding employment in Estonia (with the exception of the post-2008 global shock period) and, on the other, the consequence of political choices that prioritised other policy sectors, primarily labour market policies, disability and family benefits.

Interestingly, however, in 2017 a debate was prompted on both the potential unfairness and ineffectiveness of conditionality measures and negative sanctions for the most disadvantaged individuals. As a consequence, activation was pursued by expanding "positive incentives", that is by making it possible to keep extra salary in order to favour employment and avoid the poverty trap: "starting from 2018 […] when calculating household net income, salary from a recently started job will not be included for beneficiaries of the SB" (Hunt et al., 2021: 25).

In a nutshell, the trajectory of Estonian MIS in the last two decades can be described as increased *residualisation* – due to expanding labour market policies and reduced problem pressure, also in light of improving poverty rates – as well as *activation,* mostly through positive incentives.

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[66] Working beneficiaries can deduct €100 of the monthly earned income. For earned income between €100 and €1,000, 20% are deducted, for earned income between €1,000 and €1,200 (or €1,500 for families with children) 10% are deducted. See Missoc comparative tables – Germany.

[67] According to Eurostat, "The purchasing power standard, abbreviated as PPS, is an artificial currency unit. Theoretically, one PPS can buy the same amount of goods and services in each country. However, price differences across borders mean that different amounts of national currency units are needed for the same goods and services depending on the country. PPS are derived by dividing any economic aggregate of a country in national currency by its respective purchasing power parities (PPPs). PPS is the technical term used by Eurostat for the common currency in which national accounts aggregates are expressed when adjusted for price level differences using PPPs. Thus, PPPs can be interpreted as the exchange rate of the PPS against the euro".

b. MIS institutional features

The national minimum income scheme – Subsistence Benefit (SB) – plays a residual role as a "last resort" anti-poverty programme (Natili 2019a). As argued by Hunt et al. (2021: 20) "SB is considered as a 'last resort' measure, not having a central role in social policy nor in the policy debate on poverty. It is in fact assumed that poverty should primarily be alleviated through other channels, for families via child policies, for retirees via pension benefits and for the unemployed via unemployment benefits. The policy debate is mainly around the unemployment benefit regulations. The SB enters the policy debate always with linkage to other benefits".

The scheme relies on a two-level governance framework, with the state playing a central role in financing, whereas implementation and benefit payment is left to municipalities.

Eligibility

The SB is nevertheless a subjective right as well a family-based entitlement: any adult member of the household can claim the benefits.

The subsistence minimum is the only means-tested "safety net" within the overall welfare state architecture and it is not only targeted to working age individuals, since it also includes the elderly.

All legal residents as well as beneficiaries of international protection (refugees) may be entitled to the SB. It is a family-based entitlement: any member of the household can claim the benefits. There are no specific age conditions (Missoc[68]).

Benefit amount and duration

The initial benefit duration is very short – 1 month – but it can be extended upon the claimant's request. The average benefit duration is around 6 months.

The benefit level is low for a single member household – €150/month in 2021 – and also inadequate to lift people above the relative poverty line (Hunt et al. 2021): the benefit actually corresponds to 26% of the 2019 AROP threshold (€6,877/year, Eurostat indicator *ilc_li01*).

Supplements are granted to other adult household members (€120/month each) and minors (€180/month each) plus a €15/month supplement in the case of minors below 18 years (Missoc).

As illustrated below, benefit reception can be combined with gainful activity.

Conditionality and activation

As with the other MIS analysed in this report, activation measures and conditionality mechanisms are attached to the Estonian MIS.

However, sanctioning in case of non-activation of beneficiaries is only allowed, but not mandatory. Moreover, interestingly, following public discussion on the possible negative effects and unfair impact of negative sanctions on the most disadvantaged individuals, in 2017, positive sanctions were introduced "allowing to work to small degree […]. 100 per cent of earned income on two months and subsequently 50 per cent of earned income on four months were not counted in net income anymore. As a result, the household would receive both the SB and salary for the period of six months" (Hunt et al. 2021: 26).

[68] Cf. Missoc comparative tables https://www.missoc.org/missoc-database/comparative-tables/.

Expenditure and coverage

Considering trends in expenditure and coverage since the late 1990s, significant oscillations may be detected, pointing at a key social buffering role of SB at times of negative economic conditions – such as during the 2008-11 economic crisis when expenditure increased steeply and then diminished gradually in subsequent years (Hunt et al. 2021). Comparatively, however, resources allocated to SB are scarce, amounting to 0.1% of GDP in 2019.

Coverage is also modest, around 2% of the total population.

3.3.5. Denmark

a. MIS policy trajectory

The Danish MIS was established already in 1974 and it was long considered a prototypical case of inclusive as well as generous and enabling social assistance benefit (Natili 2019b).

Furthermore, the minimum income scheme was embedded in one of the most generous and redistributive welfare states, which also became a reference model for both scholars and policymakers for the well-known flexicurity "golden triangle" in labour market policies: i.e. the effective combination of labour market flexibility – to the advantage of employers – with employment and income security for workers. Thus, the social assistance scheme played the key role of last resort safety net in a context characterised by robust unemployment benefits and well-functioning – and generously funded – active labour market policies. In 1998, activation measures were strengthened also for MIS beneficiaries through "a wide assortment of personalised activation measures – from counselling to training and/or education programmes and from job training to work projects and socially useful jobs (Rosdahl and Weise 2001)" (Natili 2019b: 291).

Starting in the 2000s, however, the programme – renamed *Kontanthjælp* in 2002 – was significantly and repeatedly reformed. Kvist (2015) identifies three objectives pursued by the 2014 and 2016 reforms: 1) differentiating across beneficiary groups that are often entitled to different benefit amounts (see below); 2) strengthening the link between MIS and education and quality services; 3) making work pay, as part of the 2016 job reform which introduced a "benefit ceiling to address the high participation tax rates where housing allowance and special support are tapered, (re-)introduces a minimum of 225 hours of work to remain entitled to social assistance" (Kvist 2015: 5).

A new and less generous benefit for newly arrived immigrants (named Start Help in 2011, then integration benefit in 2015) was introduced – thus replacing the ordinary MIS which was also made less generous for long-term recipients (again mostly penalising migrants) as well as more conditional and oriented towards activation. Furthermore, the 2014 social assistance reform distinguished between three different programmes: general social assistance; assistance benefits for young individuals below 30 years in need of education; a benefit for people with complex social problems (Natili 2019b).

The overall effect of the various MIS reforms was substantial *retrenchment*, as Kvist (2015) bluntly put it: "The marked reduction in benefits for persons aged under 30 in the 2014 Reform has resulted in about 30,000 persons having an income below 60% of the median. The integration benefit will place many, particularly asylum seekers, in the same situation. The benefit ceiling and the work requirement in the first phase of the Job Reform result in lower benefits for many people."

b. MIS institutional features

Eligibility

After a number of incremental changes and also policy reversals[69], the current social assistance framework is structured around three main schemes: i) general social assistance (*Kontanthjælp*), paid from the age of 30 years to the retirement age (or from 18 years old in case of completion of vocational education); ii) so called Educational assistance (*uddannelseshjælp*), from 18 to 29 years of age, of lower amount than *Kontanthjælp;* iii) Self-sufficiency and return benefit or transition benefit (*selvforsørgelses- og hjemrejseydelse og overgangsydelse*), from 18 years old to retirement age – for those who have resided in Denmark for less than 9 of the past 10 years, and/or have been in regular employment for an overall period of 2 years and 6 months within the last 10 years and who are in a situation of need (Missoc).

As reported by Missoc, these are "family-based entitlement" based on subjective rights "depending on age, education, dependent children and cohabitation. Any adult member of the household can claim the benefits".

Benefit amount and duration

Despite retrenchment, the general Social assistance benefit remains comparatively high, set at €1,550/month (gross) in 2021 for a single beneficiary, corresponding to 102% of the AROP threshold (€18,409/year, Eurostat). However, unlike the other five countries considered here, social assistance benefits are taxed in Denmark (tax rate: 12.16%, national + 24.92% local), this reducing the net disposable amount to €1,085/month - i.e. 70% of the AROP threshold.

Calculations by the OECD show that by including the housing supplement, the ratio between social assistance benefit and the AROPE threshold increases to 77% - or 54% of the median disposable income[70].

Importantly, each adult in a joint household receives the same benefit amount, and child supplements are also provided: a couple with two children would thus receive a monthly benefit of €4,120/month (Missoc).

However, it has to be recalled that benefits targeted to young individuals and migrants outlined above are substantially lower – i.e. around half the amount of ordinary MIS in 2015 (Kvist 2015) and, thus, substantially below the relative poverty threshold at 60% of median income. This makes the level of support dependent on time of residence and employment.

Benefit duration is unlimited.

Conditionality and activation

Although the differentiation of various target groups allows the provision of tailored services for the different categories of claimants, activation requirements are rather strong in Denmark especially since the introduction of the 225 annual working hour requirement in 2011.

However, sanctions in case of non-compliance are also diversified, stretching from short-time to full suspension of benefits (cf. Kvist 2015 for a detailed illustration).

Moreover, in line with the reform strategy of promoting education and quality services, young beneficiaries of social assistance benefit for those aged below 30 years, are required to attend educational programmes. By contrast, "if they are not education-ready they are placed in resource

[69] Cf. Natili (2019b) for a detailed description and interpretation of underpinning political dynamics.

[70] Cf. OECD.Stat "Adequacy of Guaranteed Minimum Income benefits".

programmes where a case worker coordinates measures provided by a cross-sectoral, multidisciplinary team of welfare professionals. The aim is to increase the resources of the client so s/he can enter education, activation offers or work" (Kvist 2015).

Expenditure and coverage

According to Natili (2019a), if on the one hand MIS coverage is not particularly high – around 3.5% of total population – on the other, this figure corresponds to about 85% of severely deprived individuals below 65 years of age.

Also expenditure is relatively high in comparative perspective, at 0.86% of GDP (2015 figures, in Natili 2019a).

3.3.6. Hungary

a. MIS policy trajectory

The Hungarian MIS is embedded in a two-tier policy structure which aims to tackle unemployment and poverty. The first tier includes the contributory unemployment insurance scheme which is one of the least generous in the EU, especially with regard to duration (maximum 90 days) where the amount is capped at 100% of the minimum wage (Albert et al. 2021). Such short duration is the consequence of strong austerity measures adopted following the 2008 economic crisis. "After 90 days, unemployed people may apply only for the benefit for people of active age. If found capable of work, they may receive" (Albert 2021:5) the Employment-substituting benefit which is actually the social assistance scheme (MIS) for able bodied individuals available for work.

For individuals not able to work, a parallel scheme provides variable "social allowance benefits depending on household composition". The split of means-tested social provisions between the employment substituting benefit and the social allowance "was a key ingredient of the important reform of social and employment legislation, adopted in 2008 within the framework of the Pathway to work programme" (Albert et al. 2021).

A subsequent reform affected the organisational structure of MIS: in fact, after 2015, key decisions also including financing are taken at the national level, but implementation and delivery are decentralised to the district level.

Finally, two other policy trajectories are detectable in the field of MIS in the last decade: on the one hand, since 2010, conditionality mechanisms and sanctions were made stricter within a comprehensive workfare strategy; on the other, as argued by Albert et al. (2021: 6) "the level of MI (minimum income) benefits was found to be inadequate even in the first decade of 2000, and since then the situation has deteriorated even further, with a nominal decrease in certain provisions and the abolition of others".

Accordingly, the Hungarian MIS remains one of the least generous both in the EU and across OECD countries.

b. MIS institutional features

Eligibility

The institutional architecture of social assistance "income compensation" in Hungary is based on two main programmes, respectively targeted to i) able-bodied individuals, ii) those of active age unable to work ("support for the health impaired and for child supervision") (Albert 2015).

Access to the former MIS, named "Employment-substituting benefit", is ensured through a means-test taking into account both income and property.

Starting from the age of 18 years up to retirement age, all legal residents have a subjective right to employment-substituting benefit in case they do not have sufficient resources (i.e. the income per consumption unit does not exceed 90% of the minimum of the old-age pension, or €72/month, and the family has no property).

Benefit amount and duration

The level of the minimum income benefit is extremely low in comparative perspective and it is a fixed amount, set at maximum 80% of statutory minimum pensions – HUF22,800 in 2020 (€64/month) (Missoc online) – "irrespective of the number and composition of the family" (Albert 2015: 7).

Such a low amount corresponds to 20% of the AROP threshold (€3,877/year in 2020). Benefit duration is unlimited provided the need persists.

Benefit reception cannot be combined with gainful activity.

Activation and conditionality

Conditionality is very strict and is also related to workfare measures.

As reported by Albert (2015: 11) "Those receiving the employment replacement subsidy must register as job-seekers with the PES and cooperate with it. The PES must be contacted within 15 days from notification of legal entitlement. Those receiving the employment replacement subsidy have to accept any employment opportunity offered. If they refuse, their entitlement to the provision must be terminated."

Expenditure and coverage

Expenditure was also extremely low in 2019, reaching 0.06% of GDP (Albert et al. 2021).

No recent data are available, from national sources, regarding expenditure, coverage and take-up rate.

All in all, the Hungarian MIS represents one of the least protective and enabling social assistance programmes in Europe, as well as a case of substantial programme retrenchment in the last decade.

3.4. A comparative overview of MIS from the six case studies

Some particularly interesting results can be noted regarding the *policy trajectories* followed in the countries analysed here. Unlike what is usually argued in the literature (cf. Natili 2019a, b), MIS have not become more relevant policy programmes in *all* countries in the last two decades.

Actually, the analysis of policy changes in the six selected countries revealed that, in some cases, the role played by MIS has actually declined in the last decade: above all in Hungary due to *retrenchment* measures, and to a more limited extent in Estonia and Denmark, whereas the German trajectory is more ambivalent, since the MIS acquired a central role in the reformed system following the Hartz IV reform, but its relevance subsequently declined due to substantially decreasing poverty rates.

Table 16: MIS coverage and expenditure in comparative perspective, 2015

Country	Coverage, % of the population	Total expenditure (% GDP)
Germany (2020)	**7.4%**	**1.39%**
Ireland	5.33%	1.05%
Denmark	**3.52%**	**0.86%**
Netherlands	2.74%	0.73%
France	5.31%	0.49%
Greece (2017)	6.44%	0.43%
Italy (2020)	**5.10%**	**0.43%**
Finland	7.31%	0.35%
Belgium	-	0.30%
Sweden	4.26%	0.25%
Austria	3.30%	0.24%
Lithuania	3.79%	0.21%
Czech Republic	3.41%	0.16%
Portugal	2.85%	0.16%
Croatia	5.20%	0.15%
Spain	**1.70%**	**0.13%**
Estonia *(2019)	**2.00%**	**0.1%***
Bulgaria	0.89%	0.06%
Latvia	1.72%	0.03%
Hungary (2019)	**-**	**0.06%**

Source: Author's elaboration based on Natili (2019a).

By contrast, in other countries – primarily Italy and Spain – MIS have been substantially expanded and made more robust, especially after the two southern European countries were dramatically affected by austerity measures during the "Great Recession" phase.

As for MIS *institutional features* (eligibility conditions, benefit amount and duration, governance framework, activation and conditionality requirements) and *output* – expenditure (% of GDP) and coverage (% of total population) – they also vary remarkably across the six selected countries, as shown in tables 16 and 17.

In light of such variation and considering the main concerns of stakeholders involved in the field of minimum income protection both at the national and the supranational level (see section 4 on the latter), it is here important to outline the best (and the worst) practices identified in the six selected countries along the three key institutional dimensions: i) accessibility; ii) adequacy; iii) enabling character of MIS.

3.4.1. Accessibility

Eligibility requirements vary significantly across countries. Whereas a systematic quantitative analysis of the interaction between means-testing conditions and income distribution goes beyond the scope of this report, the analysis of formal rules in the six selected countries revealed the existence of some eligibility conditions – particularly concerning individuals of different age groups and residence status – which imply differential treatment among potential MIS beneficiaries.

In particular, in Denmark, Spain and Italy, residency requirements hinder full accessibility to ordinary MIS for migrants with limited years of residency in the country. The situation appears particularly critical in Denmark, where individuals that have resided in the country for less than 9 of the past 10 years do not have access to ordinary MIS, and especially in Italy which imposes a 10-year residence requirement for non-EU citizens in order to be entitled to the so called Citizenship Income.

On a similar note, the minimum threshold of 23 years to get access to IMV in Spain discriminates against the young, whereas in Denmark individuals aged less than 30 years are not entitled to the ordinary MIS and are typically protected through Educational assistance benefits of a lower amount. In all the other considered countries, there are no specific age requirements discriminating some age groups.

Last but not least, non-take up is not effectively monitored in all countries: available data show, however, (e.g. in the German case) that this is still a major challenge, since roughly 30% of potential claimants do not actually apply for benefits.

3.4.2. Adequacy

With regard to the *overall welfare effort* on minimum income protection – which concerns the two dimensions of expenditure and coverage reported in table 16 above – the six selected countries are placed along a continuum from the most expensive and inclusive MIS (Germany) to the least (Hungary), with Denmark and Italy not far from the former and Estonia close to the latter – whereas for Spain the figures related to the recently established IMV are not available yet.

Importantly, however, in all countries analysed here the *standard benefit amount* for a single beneficiary is significantly below the relative poverty threshold (AROP, 60% of the median income, see Table 17).

In this regard, the recent developments and especially reinforcement of MIS in the southern European countries analysed here (Italy and Spain) suggest the way to follow: in fact, the levels of both the Italian Citizenship Income (introduced in 2019) and the Spanish *Ingreso Mínimo Vità*l (2020) were set at around 60% of the AROP threshold.

Whereas MIS levels in the six countries are still inadequate to provide full protection against (relative) poverty, in some cases they get closer to the latter aim when minimum income benefits are accompanied by other social assistance measures such as housing subsidies: for instance, when housing supplements attached to the Italian Citizenship Income are considered, the benefit amount reaches 90% of the relative poverty threshold for a single individual, and it also increases substantially in Denmark (from 70% to 77% of AROP) and in Germany[71] as well.

It should not be forgotten, however, that different categories of claimants are entitled to benefits of different amounts in Denmark, thus introducing a disputable demarcation between more or less deserving poor – to the detriment of the young and migrants.

[71] See the country sections above for details. In the German case, according to MISSOC comparative tables "Actual housing and heating costs are covered to the full amount if these are reasonable. The reasonable character is generally based on the local conditions and the number of people living in the household".

Table 17: MIS benefit level

Country	% of AROP threshold (single beneficiary)
Denmark	70%
Italy	58%
Spain	61% (IMV 2020) / variable for Regional MIS
Germany	37%
Estonia	26%
Hungary	20%

Source: Authors' elaboration.

3.4.3. The enabling character of MIS: activation and conditionality mechanisms

Along the third dimension, it must be noted that activation and conditionality measures are in place in all six of the countries analysed. However, in the case of Estonia, activation is not mandatory and municipalities have some discretionary power in implementation. Differently, in Italy and Spain, it is too early to assess the more or less stringent implementation of the conditionality mechanism related to the Citizenship Income and *Ingreso Mínimo Vìtal* respectively.

Moreover, in some countries, activation measures appear to have a more enabling character – such as in Germany and especially Denmark given the robust tradition of tailored services for welfare recipients – than in others where the coercive character prevails – Hungary and, at least on paper, Italy. In fact, in Germany, the main changes to MIS after the 2005 reform have concerned improved access to *activation* measures, both with respect to ALMPs and inclusion programmes for children's education in order to reinforce the enabling character of the MIS.

Both Germany and Denmark are also relevant cases with regard to how conditionality and sanctions are effectively implemented. In fact, whereas in the latter country sanctions have always been gradual and proportional, thus leading to full suspension of benefits only in the most critical cases of non-compliance with activation requirements, in the former a recent ruling by the Federal Constitutional Court stated that stricter sanctions above 30% were unconstitutional since they were against the basic principle of protection of minimum living standard (Grages et al. 2021).

A final point concerns the relationship between MIS, activation and especially work participation, which is extremely relevant in the light of increasing in-work poverty rates in several European countries. There are substantial cross-country differences both as regards possibilities of combining MIS and work and especially – where such a combination is allowed – possible incentives to return to formal paid employment.

With the exception of Hungary, the combination of work and benefit is generally allowed. However, positive incentives are in place in a few cases only. In particular, the German MIS allows the payment of "in-work benefit", since marginal income from work is disregarded in the means-test.

Also, since 2018, in Estonia, the salary from a recently started job is not included in the calculation of household net income to define the MIS amount: this implies that "100 per cent of earned income on two months and subsequently 50 per cent of earned income on four months are not counted in net

income any more. As a result, the household would receive both the Subsistence Benefit [Minimum income] and salary for the period of six months" (Hunt et al. 2021: 26).

3.5. Social assistance responses to the COVID-19 crisis

When analysing the anti-poverty responses in the selected six countries during the COVID-19 pandemic crisis, three main background elements must be considered.

Firstly, as argued by Natili (2020), minimum income schemes are often not effectively equipped to protect individuals against the risk of poverty in case of a sudden loss of income, such as occurred in 2020 as consequence of the impact of the COVID-19 pandemic and related lockdown measures. This is due to the typically lengthy and complex administrative procedures related to means-testing.

Secondly, as illustrated in section 3.3 above, MIS are mostly designed as conditional benefits implying activation requirements for claimants, which could hardly be respected in the light of the restrictions imposed by national governments.

Thirdly, the dramatic economic and social consequences of the pandemic crisis raised the attention focused on poverty both at the national and the supranational level – see section 4 for an illustration of EU level developments in 2020.

The factors above, as well as the need to ensure the maintenance of social cohesion and integration in the worst crisis Europe faced since WWII, pushed several European governments to take action in order to shield individuals from the most severe consequences of the pandemic.

As illustrated in the ESPN report titled "COVID-19 impact on social protection and social inclusion policies in Europe. An analysis of policies in 35 countries" (Baptista et al. 2021) and related national country reports, several countries adopted measures aimed at strengthening the protection capacity of MIS and social assistance schemes. In particular, out of the 10 countries that modified MIS regulations to ensure improved protection and accessibility (BE, DE, DK, EL, ES, IT, LV, PT, UK, MK) four are analysed in this study: Germany, Denmark, Spain, Italy.

However, different strategies were pursued in the various national contexts. Three countries (Denmark, Italy and Germany[72]) relaxed eligibility criteria by temporarily suspending the activation/work requirements in the first quarter of 2020 already (Baptista et al. 2021).

More substantial changes were instead adopted in two southern European countries, although in a different manner.

In Italy, since the beginning of the COVID-19 crisis, a debate occurred about the need to provide a safety net to all individuals and households covered neither by existing income support measures nor by the COVID-19 related emergency measures introduced by the so-called Decreto Cura Italia (Decree No. 18/2020 of 17 March 2020) – typically some categories of seasonal and intermittent workers, unemployed people who were no longer eligible for unemployment benefits before the emergency, and informal workers. Thus, in May 2020, a new anti-poverty measure, the "Emergency Income", was introduced to address the limitations of the ordinary MIS (RdC-Citizenship Income) in effectively protecting against poverty both before and during the pandemic. Importantly, eligibility conditions for REM (Reddito di Emergenza) are more relaxed than for ordinary MIS (RdC-Citizenship Income described in section 3.3 above) thus enlarging the constituency of potential beneficiaries.

[72] See Konle-Seidl (2021) for further details on the German case.

Moreover, the 10-year residence requirement for non-EU citizens to be eligible for RdC is not required for REM. The REM amount is however lower compared to RdC: €400 per month for a single-person household (an amount which is increased for larger households). Until July 2020, REM could only be granted for 2 months. Under Decree No. 104, issued on 14 August, it could be paid for an additional month, and under Decreto Ristori (Decree No. 137 of 27 October), applicants could receive it for two more months (November and December 2020). Therefore, households whose applications have met all the entitlement conditions will receive REM for 5 months in total (see Natili and Raitano 2020; Jessoula et al. 2021 for full details about REM). Natili and Raitano (2020) argue that in spite of "less stringent eligibility conditions than the ordinary minimum income scheme, the new scheme also has weaknesses concerning its ability both to reach all poor households in need and to provide a structural response to the poverty-related consequences of the pandemic."

In a different way in Spain, as illustrated in section 3.3 above, in the midst of the COVID-19 pandemic the left-wing Spanish government made a major step forward in the fight against poverty by introducing a national MIS called *Ingreso Mínimo Vital* (IMV). Conceptualised as a "subjective right to an economic benefit that guarantees a minimum level of income to those who are in a situation of vulnerability" (Ibanez et al. 2021: 9), the IMV is fully compatible with pre-existing regional MIS and it is expected to improve protection by extending coverage and increasing the benefit amount in an attempt to address the decentralised uncoordinated policy framework that emerged since the 1990s (see section 3.3 for details on IMV).

In addition to MIS related measures, other interventions were adopted in the six countries analysed here. In Italy, lump sum benefits were introduced for self-employed and parasubordinate workers (i.e. typically bogus self-employed), domestic workers as well as seasonal and intermittent workers (cf. Jessoula et al. 2021 for details). In Germany, "three different measures targeting children and young people were introduced subject to means-testing (the emergency supplementary child benefit, the child bonus and the bridging assistance for students in need); additionally, the Federal Government introduced specific financial support for single parents, consisting of an increase in the income tax relief for all single parents, aimed at compensating for the additional burdens these families faced during the pandemic." (Batista et. Al. 2021). Moreover, both in Estonia and Italy food and material assistance were also provided. By contrast, in Hungary, the only social assistance measure adopted to tackle the effects of the pandemic was an increase in child support (Baptista et al. 2021).

4. EU-LEVEL POLICIES TO DEAL WITH POVERTY AND SOCIAL EXCLUSION

KEY FINDINGS

- In recent years, institutional, economic-contextual as well as political factors seemed to have built momentum for substantial steps ahead in the field of minimum income protection at the EU level. The dramatic impact of the COVID-19 pandemic on the economy and labour market threatened a return to rapidly increasing poverty and social exclusion rates in EU Member States (MS), and the innovative measures adopted by EU institutions to tackle the economic and social impact of the crisis put an end to the decade-long dominant austerity policy framework.
- Also the institutional framework for taking action at the supranational level in the field of minimum income protection was laid down, with principle 14 of the European Pillar of Social Rights stating that "Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services".
- Furthermore, it appeared that political dynamics might eventually materialise both among European institutions and across EU Members states, especially under the impulse of the German presidency of the Council of the EU (July–December 2020), which led to the Council conclusions of 9 October 2020 on "Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond".
- Against such a backdrop, this chapter first outlines the key objectives of the main stakeholders mobilising at the supranational level; second, it assesses both the legal feasibility and political viability of a binding EU framework; third, it illustrates the most recent developments in the field also in relation to the European Commission's Action Plan to implement the European Pillar of Social Rights published in March 2021. It concludes that by mid-2021, momentum for the adoption of a binding EU framework in the field of MIS seems to have stalled
- Thus, in the context of the Next Generation EU (NGEU), the EU's actions aimed at strengthening minimum income protection and promoting upward convergence across MS should make effective usage of the "hybrid governance" mechanisms implied by the existence of an EU target on poverty to be reached by 2030, the governance architecture of the European Semester and more substantial resources provided by the Recovery and Resilience Facility.

4.1. Towards a minimum income EU framework? Empirical study and assessment

The fight against poverty and social exclusion as well as related social policy measures have been on the European agenda for a long time, from the first anti-poverty programmes in the 1970s to the Council Recommendation of 24 June 1992 on "common criteria concerning sufficient resources and social assistance in social protection systems" (92/441/EEC) and the subsequent launch of the "social inclusion OMC" in 2001, the 2008 Commission Recommendation on the active inclusion of people excluded from the labour market (C(2008)5737) and the setting of the first quantified poverty target

within the Europe 2020 framework[73].

Against such a backdrop, after the weak start of the Europe 2020 anti-poverty strategy in 2011, in the following years a number of factors created a stronger mobilisation of stakeholders at supranational level, primarily European social NGOs and trade unions (Agostini et al. 2013, Jessoula 2015). On the one hand, the impact of the global economic (2008-12) and sovereign debt (2010-2012) crises and related austerity measures pushed poverty and severe material deprivation rates up. On the other, the novel composition of the European Commission in 2015 and 2019 opened up new opportunities for strengthening the social dimension of the EU (Zeitlin and Vanhercke 2017).

Furthermore, in more recent years, additional institutional, economic-contextual as well as political factors seemed to have built momentum for substantial steps ahead in the field of minimum income protection at the EU level (Interviews Caritas, EAPN, SP, Maucher[74]). The dramatic impact of the COVID-19 pandemic on the economy and labour market (EPC-SPC 2021) threatened a return to rapidly increasing poverty and social exclusion rates in European Member States (MS), whereas the innovative measures adopted by EU institutions to tackle the economic and social impact of the crisis put an end to (or at least temporarily suspended) the decade-long dominant austerity policy framework (Interviews Caritas, SP, ETUC).

As this happened, the institutional framework for taking action at the supranational level in the field of minimum income protection had already been laid down with principle 14 of the European Pillar of Social Rights stating that *"Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate the labour market."* (European Pillar of Social Rights, Principle "14. Minimum Income").

It appeared that the political will might eventually materialise both among European institutions and across EU Members states, especially under the impulse of the German presidency of the Council of the EU (July–December 2020). Differently from the recent past – when the German government denounced the EU's "intrusion" in the national anti-poverty arena with setting of the Europe 2020 (anti)-poverty target (see Jessoula 2015; Jessoula and Madama 2018) – the German presidency actually seemed to constitute a turning point for strengthening the EU's actions in the field (Interviews EAPN, SP, Maucher, Pochet) and it led to the Council conclusions of 9 October 2020 on "Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond".

With the aim of implementing the Social Pillar and addressing the remaining gaps in minimum income protection in combating poverty and social exclusion, the Council conclusions read as reported in Box 2.

[73] Cf. Marlier et al. 2010, for an overview.

[74] Interviews were conducted in April 2021. See the full list at the bottom.

Box 2: Council conclusions of 9 October 2020 on "Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond"

"The Council of the European Union

INVITES the Member States and the European Commission, in accordance with their respective competences, taking into account national circumstances and different labour market models, to:

18. WORK TOGETHER to implement the European Pillar of Social Rights, and to commit themselves to addressing the remaining gaps in minimum income protection in combating poverty and social exclusion;

19. STRENGTHEN employment and social aspects within the European Semester as coordination for economic, employment and social policy with regard to minimum income protection, and PROVIDE respective policy recommendations that take a long-term view and balance economic, fiscal, employment and social policy needs;

20. STRENGTHEN the exchange of best practices, the networking of national contact points for cross-country assistance and the mutual learning in further developing minimum income protection at national and regional level including within the Minimum Income Network (MINET) as a technical forum of the Social Protection Committee; and

21. MAKE BEST USE of targeted support from available EU funds, notably the European Social Fund Plus and the Next Generation EU recovery instrument to promote social inclusion and labour market participation as well as to tackle poverty.

[Also the Council]

INVITES the European Commission, within its competences as set out in the Treaties, while paying due regard to national circumstances to:

22. INITIATE an update of the Union framework to effectively support and complement the policies of Members States on national minimum income protection.

INVITES the Commission, the Social Protection Committee and the Employment Committee, in accordance with their respective competences, taking into account national circumstances, to:

23. DEVELOP FURTHER the existing EU benchmarking in the area of minimum income protection in order to facilitate the monitoring of performance and support policy levers across the three key dimensions of minimum income protection, namely adequacy, access and the provision of enabling services, including those facilitating labour market participation; and

24. PREPARE periodically a joint report to analyse and review progress achieved in the development of minimum income protection in the Member States, building on the benchmarking framework for minimum income protection established at EU level. The report should in particular analyse empirically the role of minimum income protection in supporting employment and addressing poverty as well as inequalities of income and opportunities including aspects of gender inequality. The report should cover the application of the dimensions of access, adequacy and enabling aspects of minimum income protection. It should also study the potential of minimum income protection to stabilise the economy and society in times of economic downturn, in conjunction with other employment support and social protection measures."

Source: Council conclusions of 9 October 2020 on "Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond".

The Council's conclusions were subsequently both welcomed and endorsed by the European Parliament's Resolution adopted on 17 December 2020 (Box 3). Interestingly, the Resolution called for "mandatory targets" and goals of social sustainability in order to achieve the UN SDGs (Sustainable Development Goals) through an ambitious agenda for a strong social Europe aimed at "protecting everyone and especially the most vulnerable and on making the recovery inclusive and socially just, and that these goals must be reinforced through mandatory enforceability". Also, the European Parliament is convinced that "a governance framework for a social and sustainable Europe should be anchored in the following reforms: the integration of the EPSR and a social progress protocol in the Treaties, protecting social rights at the same level as economic freedoms in the single market, and the adoption of a Sustainable Development and Social Progress Pact making social and sustainable targets mandatory, in order to achieve the UN SDGs".

However, when it comes to the role of the EU in the field of minimum income schemes, the EP's Resolution does not openly call for a binding EU framework: it "*welcomes the Council conclusions on strengthening minimum income protection to combat poverty and social exclusion; invites the Commission to further develop on these conclusions, proposing a framework for minimum income schemes, with the purpose of safeguarding the right to a decent life and eradicating poverty and addressing the questions of adequacy and coverage, including a non-regression clause; underlines that every person in Europe should be covered by a minimum income scheme and that pensions should ensure an income above the poverty line*"[75].

[75] European Parliament, Resolution of 17 December 2020 on a strong social Europe for Just Transitions (2020/2084(INI)).

Box 3: European Parliament position on Minimum income Schemes

Key excerpts from the European Parliament resolution of 17 December 2020 on a strong social Europe for Just Transitions (2020/2084(INI)

The European Parliament,

3. Emphasises that progress towards a sustainable, fair and inclusive social Europe requires a strong shared commitment, both to the advancement of the UN 2030 Agenda and to the implementation and materialisation of the principles and rights contained in the European Pillar of Social Rights; highlights that an ambitious political agenda with identifiable, feasible, sustainable, clear and mandatory targets and indicators of social sustainability must be designed; points out that the next EU Social Summit planned for May 2021 in Porto would be the perfect opportunity for adoption of this agenda at the highest political level by the leaders of the 27 Member States and of the European Council, the European Parliament and the European Commission; calls for the involvement of social partners throughout the process;

5. Stresses that the goals of a new agenda for a strong social Europe must focus on protecting everyone and especially the most vulnerable and on making the recovery inclusive and socially just, and that these goals must be reinforced through mandatory enforceability, taking into account national specificities and needs and mirroring economic and environmental obligations whose observance is linked to access to European funds; considers that, in this sense, EU and Member States' policy actions, programmes and reforms should be designed in a way that would contribute to the achievement of these mandatory objectives and that legal protection should imply that actions, policies, programmes or reforms that could have a potential negative impact on or hamper the progress towards the achievement of these objectives should be prevented;

6. Is convinced that a governance framework for a social and sustainable Europe should be anchored in the following reforms: the integration of the EPSR and a social progress protocol in the Treaties, protecting social rights at the same level as economic freedoms in the single market, and the adoption of a Sustainable Development and Social Progress Pact making social and sustainable targets mandatory, in order to achieve the UN SDGs; considers that, additionally, the Semester process should follow the Community method and be agreed between the Council and the European Parliament, while more social policy areas should fall under the qualified majority decision process, in particular non-discrimination, social protection of workers (apart from cross-border situations), protection of workers whose employment contract has been terminated, the representation and collective defence of the interests of workers and employers, and conditions of employment for third-country nationals legally residing in the EU;

13. Recalls that, before the COVID-19 pandemic, more than 100 million Europeans were struggling with poverty and material deprivation on a daily basis and that the situation will deteriorate further as a result of the crisis; recognises the crucial role of all European funds and programmes in the social area and the even more essential role the future ESF+ and the European Globalisation Adjustment Fund (EGF) will play in the next 7 years; stresses that the recovery efforts should boost jobs and growth and the resilience and fairness of our societies, and should be complemented by a strong social dimension, addressing social and economic inequalities and the needs of those hit hardest by the crisis, particularly vulnerable and disadvantaged groups, such as those in poverty, the unemployed, the elderly, young people, persons with disabilities, single parents, mobile workers and migrants; welcomes the Commission's undertaking to mobilise the EGF in response to the impact of the COVID-19 crisis on the social and economic level, and stresses that extending the scope of the EGF to digital and green transitions will require sufficient funding for the years to come; calls on the Member States to make full use of this fund in order to accompany the displaced workers in these transitions;

36. Welcomes the Council conclusions on strengthening minimum income protection to combat poverty and social exclusion; invites the Commission to further develop on these conclusions, proposing a framework for minimum income schemes, with the purpose of safeguarding the right to a decent life and eradicating poverty and addressing the questions of adequacy and coverage, including a non-regression clause; underlines that every person in Europe should be covered by a minimum income scheme and that pensions should ensure an income above the poverty line.

Source: European Parliament, Resolution of 17 December 2020 on a strong social Europe for Just Transitions (2020/2084(INI)).

For the purpose of this study, it is important, first, to outline the key objectives of the main stakeholders mobilising at the supranational level; second, to assess both the legal feasibility and political viability of a binding EU framework; third, to illustrate the most recent developments in the field also in relation to the European Commission's Action Plan to implement the European Pillar of Social Rights published in March 2021.

4.1.1. European stakeholder mobilisation: what is at stake?

From interviews with supranational stakeholders and the review of documents published by the latter, a relatively united front emerged including key social NGOs – Caritas, EAPN, Eurodiaconia, Social Platform – and trade unions (ETUC) as well. This front – which appeared to be a proper coalition in the course of 2020 (cf. the Joint Statement of November 12, 2020[76]) – is cohesive with regard to both the main content of possible EU's initiatives in the field of minimum income and the nature of such initiatives.

With regard to content, all organisations agree that a supranational tool should aim at strengthening MIS in Member states along three key institutional dimensions: i) *accessibility*, ii) *adequacy*, iii) the *enabling* character of programmes (Interviews Caritas, EAPN, SP, ETUC).

As for *accessibility*, NGOs claim that a supranational tool in the field on minimum income protection should improve accessibility of national MIS for all individuals, as expressed in the words of the Social Platform "*Equal access for everyone who needs it and as long as it is needed*" (Interview Social Platform). Caritas Europe is very precise on the issue, linking the MIS debate with underpinning institutional statements included in both the EPSR and SDGs (Sustainable Development Goals), and consequently arguing that *"Another crucial element is coverage: the SDG principle of "leave no one behind", should be visible in the application of MIS. We have a political opportunity here which is the EPSR, in preamble 15 it puts EU citizens and third country nationals with legal residence at equal level. In the same preamble, when it refers to workers it concerns all persons regardless of their employment status. So, it is a political opportunity to increase and improve the coverage of the MIS."* (Interview Caritas).

Importantly, for some Member States, ensuring equal access to MIS for all individuals would imply a change in eligibility rules in three main respects: a) making employed people eligible for MIS as well; ii) eliminating citizenship/residency requirements; iii) removing minimum/maximum age thresholds for being entitled to MIS. In addition to regulatory changes, ensuring MIS accessibility implies removing the de facto obstacles especially for some groups of disadvantaged individuals – above all homeless people and the long-term unemployed as argued by the EMIN report[77] – as well as tackling the major problem of non-take up, due to stigma, inadequate information, etc.

Turning to *adequacy*, the social NGOs interviewed acknowledge that – as illustrated in Section 3.3 above and with the exception of just two countries (Netherlands and Ireland) – the level of minimum income benefits in EU Member states is inadequate to properly lift people out of poverty. Consequently, they all agree that a supranational measure should target 60% of median wage in each Member State in order to effectively bring recipients above the relative poverty line (Interviews Caritas, EAPN, SP, ETUC). As emphasised by EAPN (2020), the AROP threshold should also be underpinned by "national reference budgets (as the achievement of the EU poverty threshold alone will in a number of

[76] The Joint Statement was titled «Following the Council Conclusions on Minimum Income, it is time for the European Commission to respond with courage and propose a legally binding EU framework for Minimum Income» and signed by Caritas, EAPN, Eurodiaconia, CES/ETUC and the Social Platform.

[77] See https://emin-eu.net/.

EU MS not be sufficient to lift people out of poverty".

In this respect, they also conceptualise the key interplay between adequate (as just mentioned) minimum income benefits and the level of minimum wages (MW) – on which EU institutions have just put forward the proposal for a binding directive[78] – as well as the fundamental synergies between the two in order to ensure effective income security for both employed and non-employed people (Interviews SP, EAPN). In this regard, however, Philippe Pochet (policy expert and Director of the ETUI) also points at the critical interface between the current EU's proposal on MW and possible initiatives in the field of MIS arguing that "*there is this debate on the threshold level of the minimum wage and the minimum income. If the minimum wage is set at the 60% of the poverty line, then the minimum income will be very low. If the minimum income is set at 60%, the minimum wages will have to be above that and it might get difficult to reach an agreement between different countries.*" (Interview Pochet).

Both social NGOs and trade unions (ETUC and EPSU) are very sensitive with regard to the *enabling* character of minimum income schemes, which should be ensured by the availability of services for MIS beneficiaries in order to "*allow full participation in society, to have a decent standard of living*" (Interview Caritas). All the organisations interviewed place great emphasis on this issue, especially Caritas Europe "*A very important point for us is that there should be a strong complementarity between MI as financial support and the provision of services, because for our organisation just giving money to people will not help them out of poverty.*" (Interview Caritas).

Caritas Europe also published a comparative report on "Fostering access to services to support people to move out of poverty" (Caritas 2019). The main conclusions reported in Box 4 below are, however, alarming with regard to the conditions of social services in the 15 European countries analysed in the report – Austria, Belgium, Cyprus, Czechia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Portugal, Slovakia, Slovenia.

[78] Proposal for a directive of the European parliament and of the Council on adequate minimum wages in the European Union COM/2020/682 final.

Box 4: Main conclusions of Caritas Cares report

Fostering access to services to support people to move out of poverty

Access to social and care services is hindered to vulnerable groups in the population.

Access to services is limited or excluded for groups of people in certain conditions such as homeless people, asylum seekers in particular stages of the asylum procedure and undocumented migrants.

Most social and care services are targeted at specific population groups […] however even targeted services […] are unable to give an adequate response to specific needs.

Access to public employment services (PES) is difficult for various target groups: people with a migrant background, in particular if they are asylum seekers, refugees, and undocumented persons or if they are Roma. Homeless people are another group facing considerable challenges in accessing PES.

Access to (social) housing is critical in most of the analysed countries. Assistance for the homeless is critical in most of the analysed countries.

Access to early childhood education and care (ECEC) services is inadequate for children from disadvantaged backgrounds, and the availability of services is hindered by relevant territorial differences.

Services for migrants and asylum seekers are moderately adequate, accessible, available and affordable but the weakness of reception systems is related to bureaucracy and inadequate integration policies.

Source: Caritas (2019).

Overall, since MIS need to provide effective and targeted support through both monetary benefits and social services, the latter must be targeted to the different groups of recipients, primarily distinguishing between those individuals able to work and those who are not. Social services linked to MIS thus need to be designed accordingly, aiming to achieve two partly different objectives - "social" vs "labour market" (re-)integration – as clearly emerges from the excerpts of ETUC documents reported in Box 5 below.

Box 5: The service component of Minimum Income Schemes in ETUC "Resolution on the right to adequate, accessible and effective minimum income schemes"

"There is an urgent need to define the qualitative and quantitative features of MIS and to set minimum standards applicable across Europe. From a trade union perspective, the right to minimum income, to be an effective measure against poverty, guarantee human dignity and support inclusion, must be implemented through MIS designed on the indications of the EPSR:

- For all people in need, they must provide benefits in combination with effective access to enabling goods and services

- For those who can work, the previous guarantees must also be accompanied by incentives to (re)integrate into the labour market.

- The combination of benefits, goods and services must be adequate, accessible and enabling.

Thus, MIS must fulfil the qualitative, fundamental characters in order to fulfil their aim20.

- Benefits have to be adequate, […]

- Schemes must be accessible […]

- Schemes have also to be enabling: schemes must promote people's empowerment and participation in society and facilitate their access to quality services and inclusive labour markets.

Many of these essential aspects remain undefined from an EU perspective and need to be specified. In addition, they should be integrated with additional ones: besides the level of benefits, it is crucial to define the set of enabling goods and services guaranteed to all those in need, and the kind of incentives to reintegrate the labour market for those who can work."

ETUC discussion paper, European tools for minimum income schemes, a cornerstone for a European anti-poverty and social inclusion strategy, July 2020

Minimum income schemes providing concrete opportunities for social inclusion to everyone lacking resources:

- For those who can work, the directive must ensure that MIS provide effective enabling services and incentives to re-integrate such people into the labour market (avoiding negative activation, sanctions on benefits, excessive conditionality, 'work fare' practices, unrealistic job search requirements…). In particular, it is important to link this feature with the assessment of real inclusion opportunities through quality jobs (a job alone is not a solution to poverty); enhanced and strengthened public employment services; effective activation measures such as customised education and training; counselling services; and targeted programmes for people in poverty.

- For those who cannot work and in general for everyone in need, MIS must ensure adequate benefits, social services and social participation tools, thus the effective access and enabling character of goods and services for everyone in need.

- Specific attention must be paid to specific situations, to guarantee life in dignity and effective societal inclusion, such as for women who suffer higher poverty rates, discrimination in access to work and remuneration, both in society and the labour market; low work-intensity households; single parents households; people with disabilities; people in need of long-term care.

Source: ETUC resolution, ETUC input on the right to adequate, accessible and effective minimum income schemes, September 2020.

4.1.2. A binding EU framework on MIS: legal feasibility

The main components of MIS outlined above have long been at the core of supranational debate in the field, thanks to their development by European stakeholders and several contributions by experts and scholars over the last two decades. Since the first attempts to strengthen the social dimension of the EU in the mid-1990s, however, both the literature and key policymakers have repeatedly scrutinised and assessed the room for manoeuvre for introducing effective policy tools at the supranational level with the aim of reinforcing minimum income schemes – and social assistance programmes more generally – in EU countries (Ferrera and Rhodes 2000; Leibfried 2001; Hemerijck 2006).

When assessing such room for manoeuvre, it is essential to look at both the legal feasibility and the political viability of possible EU actions in the field, also in light of the type of action concerned.

In the field of anti-poverty policies and MIS, the EU has so far advanced through the adoption of soft-law measures, aiming to achieve upward policy and social convergence by means of coordination mechanisms, benchmarking, monitoring, exchange of best practices and ensuing policy learning (Barbier 2005; Armstrong 2006, 2010). Both the constitutional architecture of the EU and political equilibria have worked against the introduction of more binding measures at the supranational level.

Even during the last decade, when the Europe 2020 strategy marked a clear break with the Social OMC in the Lisbon phase (2000-10) due both to the establishment of EU's first quantified poverty target and the embedding of the overarching strategy in a more tightly integrated framework for cross-sector policy coordination – the European "Semester" – the EU's intervention in the field was significantly hindered by the Member States' attachment to protecting national sovereignty in the welfare sector (Jessoula 2015). The setting of the quantified poverty target within the Europe 2020 institutional framework actually provoked government reactions in defence of national social sovereignty, since the EU's strategy was perceived as a potential 'Trojan horse' for competence creep in the social field and (some) governments explicitly opposed it.

As shown by Jessoula and Madama (2018), the inclusion of the poverty target – i.e. lifting at least 20 million people out of poverty and social exclusion by 2020, which replaced the vague objective of "eradicating poverty" included in the former Lisbon strategy – among the five main Europe 2020 quantitative objectives was actually perceived, in several countries, as having the potential to greatly increase the visibility of the issue at the supranational level, thus legitimising further interference by European institutions in domestic anti-poverty agendas. As a consequence, in some countries, the launch of Europe 2020 prompted a lively reaction by national governments aimed at tackling supranational 'intrusion' in domestic social policy-making. In other words, tensions emerged between some Member States and the EU, related to national sovereignty/autonomy vs. European coordination mechanisms in the field of social and especially anti-poverty policies.

This suggests that, until recently, the political viability of EU anti-poverty initiatives which might place substantial constraints on MS choices has been dramatically limited by the opposition of some key Member States – in the analysis by Jessoula and Madama (2018), Germany, Sweden and UK fiercely opposed the EU poverty target, whereas Italy, Poland and Belgium welcomed the supranational move.

Against such a backdrop, social NGOs are well aware that a step towards a more binding EU framework on MIS should respect national sovereignty and the key principle of subsidiarity, as clearly stated by Caritas: "The second point, which is very sensitive for the MS, is that it should respect the subsidiarity principle. So, it should contain general provisions that allow Member States to implement the rules that fit their respective national social protection system and improve them where necessary. So, go for a set of quality criteria which then have to be applied according to the existing systems." (Interview Caritas).

Nevertheless, in an effort to promote stronger supranational initiatives in the field – also to tackle the dramatic effect of the pandemic – in 2020 EAPN commissioned an expert study with the aim of assessing whether a binding MIS directive would be legally feasible within the current EU constitutional architecture. Interestingly, the expert study released in October 2020 argues that a binding directive in the field of MIS could be accommodated within the current constitutional framework for the following reasons:

"Article 153(1)(h) TFEU on the field of 'integration of people excluded from the labour market' can accommodate an EU legal instrument on minimum income that covers all persons who are not included in the labour market. Such an instrument would, however, not cover those included in the labour market."

Moreover,

"With the objective of improving social cohesion and reducing disparities between Member States, Article 175 TFEU could accommodate a solid legal instrument on minimum income that covers all persons at all stages of life as proclaimed by principle 14 EPSR." (Van Lancker et al. 2020)[79].

Accordingly, the authors argue as follows:

"Both competences under Article 153(1)(h) TFEU and Article 175 TFEU can fulfil (partly) the objective sought by a legal instrument on minimum income and could in fact accommodate such an instrument. Using only one of the two provisions would entail that either the minimum income legal instrument cannot cover those included in the labour market (in the case of Article 153(1)(h) TFEU) or that the social component in the case of Article 175 TFEU is narrowed to social cohesion. However, because the objectives of both provisions are complementary and, as such, a legal instrument would seek one main goal (to improve the living standards of the EU population) and because both competences require the same procedures to adopt an instrument, a dual basis approach is possible. Not only it is possible but it is desirable as it would allow for an EU-wide instrument on minimum income that is in line with the right to a minimum income as seen by the EU (Principle 14 EPSR)." (Van Lancker et al. 2020).

Moreover, the authors of the expert study conclude by highlighting some key additional elements of a possible EU binding framework on MIS:

- common monitoring and evaluating procedures;
- financial support to ensure that the new legal tool does not disproportionately affect poorer Member states. "Such funding could be provided through the EU structural funds, particularly the ESF+, as this instrument aims at enhancing the cohesion of the Member States, or through the Recovery and Resilience Facility that supports the Annual Sustainable Growth Strategy" (Van Lancker et al. 2020), or an ad hoc fund;
- A strong non-regression clause – as also emphasised in the interviews with the Social Platform and the policy expert Mathias Maucher – should be included to guarantee that MS "will not reduce national standards" (Interview SP) when implementing the MIS directive.

[79] By contrast, the authors argue that "A legal instrument on the basis of Article 153(1)(c) TFEU would have a rather limited personal scope that covers only workers. As such, this is not in line with Principle 14 EPSR, which encompasses the right to a minimum income for all persons at all stages of life, regardless of whether they qualify or not as a worker. It follows that Article 153(1)(c) TFEU cannot be considered an appropriate legal base for and instrument on minimum income." (Van Lancker et al. 2020).

4.1.3. Towards a minimum income EU framework? Gatekeeping and lost momentum

Legal feasibility and institutional signalling does not imply, however, policy development which ultimately rests on political conditions and convenience/incentives.

From this perspective, both interviews and the documents analysed revealed that neither the constellation of interests nor the balance of power in the field of MIS in the multilevel EU setting – nor even the timing – seem favourable for the adoption of a binding supranational minimum income framework. This view is shared by all interviewees (Interviews SP, EAPN, ETUC, Feantsa, Caritas, Pochet, Maucher) for the reasons summarised below.

In a nutshell, the front of actors that might favour the establishment of such legal tool at the EU level is not strong enough.

Among social partners and social NGOs, as outlined in the sections above, a robust coalition has emerged in the course of 2020. On the side of employers' organisations, however, the views are very different: if they do not oppose MIS per se, they are clearly against any binding EU framework in the field, as outlined in the document by Business Europe summarised in Box 6 below.

Moreover, Business Europe conceptualises MIS as a measure strictly linked with labour market activation only ("a transition payment towards employment") whose fiscal cost must be carefully monitored, which runs counter to a rights-based approach to minimum income protection.

Box 6: Business Europe's position on minimum income protection in the EU

At the EU level, relevant monitoring and policy coordination activities within the European Semester process are supported by the EU benchmarking framework on minimum income protection. This framework developed by the Social Protection Committee (SPC) on adequacy, eligibility and activation of the existing minimum income protection provides valuable information on the diversified policies in the Member States.

Our recommendation:

Designing minimum income schemes as a transition payment towards employment with respect to national contexts and labour market models;

Minimum income schemes are best designed at the national level.

Defining minimum income at the EU level is not possible for multiple reasons.

Firstly, it is financed at the national level and corresponds to national context. Secondly, national social safety nets are very different and as such not comparable. Last but not least, all elements of safety nets need to be taken into account to correctly assess the adequacy of minimum income scheme.

Minimum income schemes should be designed in such a way that does not hinder taking up employment. Any income or earned wages should be welcomed and should not exclude an eventual top-up to the level of the minimum income. We should rather talk about "minimum disposable" income instead of minimum income as such.

Building on the 9 October 2020 Council conclusions on "Strengthening minimum income protection in the COVID-19 pandemic and beyond", the European Commission should consider a future initiative, fully respecting national competences in the field of social protection, and with a focus on improving economic, employment and social impact of minimum income schemes.

The European Commission and Member States should keep an eye on minimum income schemes' fiscal sustainability. At the same time they should work together towards the necessary development of adequate upskilling and reskilling measures for vulnerable people to avoid as much as possible long-term unemployment and inactivity.

Member States should involve national social partners in development, updating and implementing respective schemes to ensure that they include both stabilising component (minimum income) and the activation measures aimed at (re)-integration to the labour market.

Member States should involve national social partners to ensure the best use of the available EU funds, namely ESF+ and the Next Generation EU recovery instrument to promote social inclusion and labour market participation.

Source: Business Europe, Adapting social protection systems to demographic change, modern labour markets and diverse life phases and choices, January 2021.

Even stronger resistance against a possible EU directive on MIS is reported (by interviewees) on the side of some DGs of the European Commission, within the European Parliament and especially among Member States. As for the Commission, most social NGOs perceive the European Commissioner for Jobs and Social Rights, Nicolas Schmit, as largely favourable to a more binding EU framework, whereas opposition comes from other DGs and especially the Cabinet of Executive Vice-President Valdis Dombrovskis (Interviews EAPN, SP, Maucher).

Turning to the European Parliament, the organisations interviewed tend to agree that more support for a binding initiative on MIS can be found in the groups of Greens and the Progressive Alliance of Socialists and Democrats (S&D) (Interviews Caritas, SP, Feantsa), whereas the European People's Party (EPP) is perceived as either divided on the issue (Interview Caritas) or mostly against it (SP, Maucher); interviewees also agreed that centre-right and right-wing groups, such as Renew Europe and ECR are also against it. Others argue that positions may vary within groups, in line with national membership, and only a minority of European MPs (45, see the full list in Box 7 below) signed the Joint Statement "Following the Council Conclusions on Minimum Income, it is time for the European Commission to respond with courage and propose a legally binding EU framework for Minimum Income", of November 12, 2020 (Interview EAPN).

Box 7: MEP signatories to Joint Statement of November 12, 2020 signed by Caritas, EAPN, Eurodiaconia, ETUC and the Social Platform

Greens

Benoit Biteau, Bricmont Saskia, Caroline Roose, Ciarán Cuffe, Claude Gruffat, Damien Carême, Daniel Freund, David Cormand, Diana Riba i Giner, Ernest Urtasun, Grace O'Sullivan, Gwendoline Delbos-Corfield, Karima Delli, Katrin Langensiepen, Kira Marie Peter-Hansen, Marie Toussaint, Michael Bloss, Mounir Satouri, Romeo Franz, Sara Matthieu, Salima Yenbou, Tatjana Zdanoka, Terry Reintke, Yannick Jadot, Alexis Georgoulis.

GUE

Clare Daly; José Gusmão; Leïla Chaibi; Marc Botenga; María Eugenia Rodríguez Palop; Marisa Matias.

S+D

Agnes Jongerius, Alicia Homs Ginel, Brando Benifei, César Luena, Elisabetta Gualmini, Estrella Dura Ferrandis, Gabriele Bischoff, Juozas Olekas, Manuel Pizarro, Marc Angel, Miapetra Kumpula-Natri, Pierfrancesco Majorino.

EPP

Cindy Franssen, Dennis Radtke.

Source: EAPN.

The major source of resistance is found, however, among Member States. Although interviewees do not have a crystal clear picture of political alignments on the issue, most interviewees acknowledge the existence of at least two opposite fronts. In the group of supporters we find Italy, Portugal and Spain – whose governments have also drafted a letter (Interview EAPN), which was published on the newspaper *Publìco*, claiming that "We have to ensure that all people are guaranteed the satisfaction of their basic needs, so we need a common minimum income system to combat poverty and social exclusion from an ambitious and integrated perspective"[80] – together with Belgium, France, Germany, Greece and possibly Ireland. The other front are nonetheless well represented, and possibly larger, including the central and eastern European countries – especially Hungary and Poland – as key "blockers", and Scandinavian countries Denmark, Finland, Sweden (very likely together with Netherlands, Austria and Czechia) mostly sceptical about EU binding actions for different reasons though. In fact, the former fear that a binding EU framework would increase the fiscal burden to finance

[80] Joint call of Ministers from Italy, Portugal and Spain for a minimum income. Available at: https://www.lusa.pt/article/UsakVp8~Z3tM2sBpOZtCbTMSZM5iuSI1/portugal-spain-italy-ministers-in-joint-call-for-minimum-income.

MIS, the latter are concerned that the EU directive would set too low standards (Interviews EAPN, SP, Caritas, Maucher) – although the non-regression clause mentioned above should reassure Scandinavian governments.

Member States' opposition in the Council seems, thus, to have played a strong gatekeeping role with regard to possible stronger EU initiatives on MIS. As a consequence, all the organisations and experts interviewed agree that, especially after the launch of the proposal for EU directive on Minimum wage in autumn 2020, momentum has faltered. It therefore comes as no surprise that after a "window of opportunity" seemed to open in 2020, subsequent developments watered down the content of the EU's actions in the field, leaving supranational stakeholders somewhat disappointed and with limited hopes for progress in the field of supranational anti-poverty policies in the short-medium term.

Social NGOs assess critically both the European Commission's "European Pillar of Social Rights Action Plan" and its poverty goal (see Box 8 below), as it clearly emerges in the Social platform press release of March 4, 2021: "*We strongly regret that the Action Plan does not give equal importance and weight to all the 20 principles of the Social Pillar and does not provide specific and ambitious actions for each of its 20 principles. Additionally, the Action Plan overall does not sufficiently focus on measures targeting groups in vulnerable situations. We are concerned that the suggested EU targets only focus on the three topic areas of employment, education and skills as well as poverty reduction, failing to set targets for all 20 principles. Moreover, several of the suggested targets are insufficiently ambitious. Especially the target to reduce [by 2030] the number of people at risk of poverty and social exclusion by 15 million […]*".

Box 8: EU social and employment targets, from Europe 2020 to the European Pillar of Social Rights Action Plan

Europe 2020 targets, by 2020

Employment target

To raise the employment rate of the population aged 20–64 from 69% in 2008 to at least 75%. *Not reached target: employment rate 72.4% in 2020.*

Education targets

1. To reduce the share of early school leavers to 10% from 14% in 2008. *Reached target: share of early school leavers 10.1% (provisional value) in 2020.*

2. To increase the share of the population aged 30–34 having completed tertiary education from 30% in 2008 to at least 40%. *Reached target: share of the population aged 30–34 having completed tertiary education 40.9% (provisional value) in 2020.*

Poverty target

To reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty from 116 million in 2008. ***Not reached target: 9.8 million lifted out or poverty in the EU by 2020 (11.9 million in EU-27).***

EPSR Action Plan, by 2030

Employment target: to increase the share of employed population aged 20-64 years from 72.4% in 2020 to at least 78%.

Training target: to increase the share of adults participating in training every year to at least 60% in 2030, from 37% in 2016.

Poverty target: to reduce the number of people at risk of poverty or social exclusion by at least 15 million, from 91 million in 2019.

Source: Europe 2020 strategy and European Pillar of Social Rights Action Plan.

On the same note, they all agree that nothing beyond the Council Recommendation on minimum income – included in the EU Commission's Action Plan on the European Pillar or Social Rights (see Box 9) – can be expected before 2022 (when the Recommendation should be enacted) – and in any case before the negotiations on the minimum wage directive come to an end (Interview Caritas, EAPN, SP, ETUC, Maucher, Pochet).

Box 9: The European Pillar of Social Rights Action Plan: short-term initiatives in the fields of social protection and social inclusion

"The Commission will:

- Propose in Q1 2021 an EU Strategy on the Rights of the Child and a Council Recommendation establishing the European Child Guarantee to ensure that children at risk of poverty and social exclusion have effective access to key services such as healthcare and education.
- **Propose a Council Recommendation on minimum income in 2022 to effectively support and complement the policies of Member States.**
- Launch in Q2 2021 a European Platform on Combating Homelessness to support Member States, cities and service providers in sharing best practices and identifying efficient and innovative approaches.
- Launch in Q2 2021 the Affordable Housing Initiative piloting 100 renovation districts.
- Present in Q2 2021 Guidance Notices on Public Procurement of Innovation and on Socially Responsible Public Procurement.
- Present in 2022 an EU report on access to essential services."

Source: European Commission, The European Pillar of Social Rights Action Plan, 4 March 2021.

4.2. Other EU-level initiatives to deal with poverty and social exclusion

As previously underlined, the issue of poverty and social exclusion is a multi-faceted problem. In this sense, to paint a complete picture, it is important to look at measures directly targeting poverty, measures targeting specific dimensions of poverty such as homelessness or energy poverty, as well as measures expected to impact certain populations which are disproportionately affected by poverty, for example women, Roma and people with disabilities.

First and foremost, the **European Semester** represents a key entry point for supporting the fight against poverty in Member States. Although the focus of the Semester Process is the coordination of economic policies, Country Reports and the recitals of the Country Specific Recommendations (CSRs) produced within the process present an analysis of poverty. Importantly, the revised social scoreboard proposed as part of the Action Plan for the European Pillar of Social Rights introduces several new indicators to measure poverty, including a new headline indicator for the At Risk of Poverty or Exclusion rate for children (0-17 years) and two new secondary indicators for the Median at risk of poverty gap and the Benefits recipient rate among the population at risk of poverty. Member States are also requested to provide national targets in relation to employment, skills and poverty reduction, including the starting situation as well as specific gaps experienced by vulnerable groups with regard to the targets. Progress towards the targets will then be monitored through the European Semester. Adding further indicators of poverty and social exclusion to monitor trends is in line with the major suggestions provided in Chapters 1 and 2 of this report about the need of assessing poverty and social exclusion by means of multiple indicators, thus capturing the various aspects of these multifaceted concepts. Furthermore, an explicit focus on children may help policymakers and stakeholders to better monitor the target efficiency of MIS to deal with economic risks of households with minors.

Strongly linked to this, the Recovery and Resilience Facility (RRF) will be a key instrument in helping the EU to rebuild following the COVID-19 crisis and to fight its long-term consequences in terms of social exclusion, providing €672.5 billion in loans and grants to the Member States. Two of the six pillars

defined in the RRF[81] are of particular importance to poverty alleviation – social and territorial cohesion, and policies for the next generation, children and youth, although there is no earmarked allocation for these pillars, unlike for the green transition and digital transformation pillars (37% and 20% respectively). The first of these (that of social and territorial cohesion), specifies that reforms and investments should "contribute to fighting poverty and tackling unemployment in order for Member State economies to rebound while leaving nobody behind. These reforms and investments should lead to the creation of high-quality and stable jobs, the inclusion and integration of disadvantaged groups, and enable the strengthening of social dialogue, infrastructure and services, as well as of social protection and welfare systems". The second important pillar is that of policies for the next generation, children, and youth. In this regard the Regulation specifies that policies should "invest in access and opportunity for children and the youth related to education, health, nutrition, jobs and housing, and policies that bridge the generational gap in line with the objectives of the Child Guarantee and Youth Guarantee". This ties into the wider issue of child poverty discussed below. Another important point introduced by the RRF is that of a dedicated scoreboard to be developed by the end of 2021 and updated twice per year in order to display the progress of the implementation of the recovery and resilience plans of the Member States in each of the six pillars, as well as the progress of these plans in relation to common indicators which are yet to be defined. Consistent with previous suggestions, it is desirable that multiple indicators, instead of a single summary index, be applied in the dedicated scoreboard to assess the progress of RRPs in cohesion policies.

In addition to this regular monitoring, each Member State's National recovery and resilience plan is assessed according to a series of criteria including the need to contain "measures that aim to strengthen social cohesion and social protection systems, including policies for children and youth, by reducing social vulnerabilities, contributing to the implementation of the principles of the European Pillar of Social Rights and contributing to improving the levels of the indicators of its Social Scoreboard". It remains to be seen to what extent the RRF scoreboard will tie into the revised social scoreboard mentioned above, and which methodology will be used to report social expenditure, as this latter point is also to be defined by the Commission before the end of 2021.

Secondly, in October 2020 the European Commission put forward an EU Directive to ensure that all workers in the European Union are provided with a **minimum wage** to cover decent living standards and worthwhile work. This measure also aims to tackle the at-risk-of-poverty rate in the European Union, which stood at 20.9% in 2019. Whilst all EU Member States have some form of wage floor, a statutory minimum exists in only 21 MS with the other six agreeing wage protection through collective agreements. In the majority of EU Member States the minimum wage operates at an insufficient level and has gaps in protections (in age groups, for example). The Directive is not a call for a common minimum wage level, what it does call for is the introduction of a framework of standards for minimum wages. Since countries with high trade union density have less poorly paid workers, income inequality and high minimum wages, the Directive supports efforts to boost **collective bargaining arrangements in Member States.** One should note however in this regard that most evidence, both from simulation models and ex post empirical evaluations (Bruckmeier and Bruttel, 2021), currently suggests that increasing minimum wages can only have a limited impact on poverty levels, as poverty often results from low working hours rather than simply low hourly wages, amongst other factors.

[81] The six pillars are: green transition; digital transformation; smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong small and medium enterprises (SMEs); social and territorial cohesion; health, and economic, social and institutional resilience with the aim of, inter alia, increasing crisis preparedness and crisis response capacity; and policies for the next generation, children and the youth, such as education and skills.

Thirdly, the Fund for European Aid to the Most Deprived (FEAD), established in 2014, supports EU Member States' actions to provide food and/or basic material and non-material assistance to the most deprived in order to alleviate the worst forms of poverty. The fund provided €3.8 billion of EU funding for the period 2014-2020, and complements national social inclusion efforts as well as other EU funds. Since 2021, the FEAD falls under the remit of the European Social Fund+, another crucial financial tool in the EU's fight against poverty, as its key objectives are to improve employment and education opportunities – two important ways of escaping poverty – and to improve the situation of the most vulnerable people at risk of poverty. The new ESF+ agreed in January 2021 has a total budget of **€88 billion** (in 2018 prices). Its main objectives are to invest in people, to create and protect job opportunities, to promote social inclusion, to fight poverty and to develop the necessary skills for the digital and green transition. ESF+ also includes more ambitious objectives for investing in youth and fighting child poverty. In this regard, of particular interest to our topics are the following priorities:

- to **support the most vulnerable** suffering from job losses and income reductions, Member States will have to allocate at least 25% of their ESF+ resources to promote social inclusion.
- to **provide food and basic material assistance** to the most deprived by integrating into the ESF+ the current Fund for European Aid to the Most Deprived (FEAD). All Member States will devote at least 3% of their ESF+ resources to this aim.
- to **invest in children** who have suffered the effects of the crisis. Member States with a level of child poverty above the EU average should use at least 5% of their ESF+ resources to address this issue. All other Member States must allocate an appropriate amount of their ESF+ resources to targeted actions to combat child poverty and the Commission is urging Member States to use this and other existing funding opportunities to further increase investments in the fight against child poverty.
- to **allocate adequate funding to capacity-building for social partners and civil society** in Member States, and at least 0.25% of the fund should be allocated when required by the country-specific recommendations.

In particular the specific priority on investing in children ties in with another aspect of EU measures against poverty: the fight against child poverty. The **well-being and social inclusion of children** has indeed become increasingly prominent in EU policy since the 2009 Lisbon Treaty that guaranteed the freedom and principles of children under the EU Charter of Fundamental Rights of the same year. This focus was further reinforced by the Europe 2020 Strategy, which put forward a target of reducing poverty and social exclusion of children across the EU. A framework was then created in 2013 by the Commission, named the Recommendation on Investing in Children: Breaking the Cycle of Disadvantage, which was endorsed by the EU Council of Ministers. The Child Guarantee for Vulnerable Children was then called for by the European Parliament in 2015 to promote adequate living standards for all children across the EU. Following this, in 2017 the adoption of the European Pillar of Social Rights by all EU institutions puts children's rights front and centre in Principle 11, affirming children's rights to education, care and protection from poverty as well as affirmative action for disadvantaged children. In this regard, the third target of the European Pillar of Social Rights is to reduce the number of people at risk of poverty or social exclusion by at least 15 million by 2030, including at least 5 million children. In March 2021, the Commission published a proposal – adopted in June by the Council – for a Council Recommendation establishing a European Child Guarantee to provide an EU framework for action to tackle the persistent problem of child poverty. The Guarantee's key objective is **to prevent and combat social exclusion by guaranteeing the access of children in need to a set of key services:** early childhood education and care, education (including school-based activities), healthcare, nutrition, and

housing. In particular, the Guarantee aims to address the specific needs of disadvantaged groups such as homeless children or children experiencing severe housing deprivation, children with disabilities, children with a migrant background, children with a minority racial or ethnic background (particularly Roma), children in alternative (especially institutional) care, and children in precarious family situations. This ties in to the wider EU Strategy on the Rights of the Child, adopted in March 2021 and based on six thematic pillars: children as agents of change in democratic life, the right of children to realise their full potential, no matter their social background, the right of children to be free from violence, the right of children to child-friendly justice, the right of children to safely navigate the digital environment and harness its opportunities, and the rights of children across the globe. As regards the Child Guarantee, Member States are now expected to nominate national coordinators responsible for the effective implementation of the Recommendation, and to submit national action plans covering the period until 2030, detailing how they expect to implement the Recommendation. In particular, the action plans are required to include the categories of children which will be targeted along with the corresponding integrated measures; quantitative and qualitative targets for the relevant measures; financial resources and timelines; and a national framework for data collection, monitoring and evaluation of the Recommendation. At the same time, an ongoing pilot project coordinated by UNICEF in seven Member States – Bulgaria, Croatia, Greece, Germany, Spain and Lithuania and Italy – is providing regular updates on innovative approaches to addressing child poverty and will inform both the national action plans and the development of an EU-wide framework for addressing poverty and social exclusion. Though the adopting of the Child Guarantee is a welcome step towards addressing child poverty in the EU, the non-binding nature of the Recommendation and the relatively limited resources available mean that the chances of reaching its objectives rest on two main factors: the ambition of the individual Member States, and their capacity to draw conclusions from the Youth Guarantee, in particular its difficulty in reaching the most vulnerable portions of the population which are precisely targeted by the Child Guarantee.

In November 2020, the European Parliament passed a resolution to end homelessness – a phenomenon which has increased by 70% over the last ten years – by the end of the decade. The Resolution calls on all Member States to: i) provide equal access to health, education and social services; ii) implement employment programmes which include the homeless; iii) provide constant access to emergency shelters as last resort; iv) create a common definition and improve data collection on the issue. Finally, the "housing first" policy, based on the concept of a home as a fundamental human right, has been encouraged after significant success in Nordic countries such as Finland. As part of the action plan for the European Pillar of Social Rights, a European Platform on Combating Homelessness was launched in June 2021 to support Member States, cities and service providers in sharing best practices and identifying efficient and innovative approaches.

In 2019, a Council recommendation was published on access to social protection for workers and the self-employed. Despite the non-binding nature of the recommendation, Member States are recommended to provide access to adequate social protection to all workers and self-employed persons in Member States, and to establish minimum standards in the field of social protection for workers and the self-employed. This is important due to the increasing numbers of platform workers who have little to no access to social protection and are often at risk of poverty.

Energy poverty is also a key concept consolidated in the legislative package entitled 'Clean Energy for All Europeans', which is designed to facilitate a just energy transition. The recast Electricity Directive of 2019 requires Member States to take appropriate measures to address energy poverty wherever it is

identified, including measures addressing the broader context of poverty. Member States must also protect vulnerable customers, in particular those in remote areas. Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC contains similar provisions[82]. More recently, the Renovation Wave for Europe, and particular the Affordable Housing Initiative within it, aims to address the issues of energy poverty, social exclusion and homelessness through the renovation of 100 lighthouse projects all over the EU to create energy-efficient, social and affordable housing districts.

Another field in which the EU has been active is that of pensions. Even though pensioners in most EU countries are less likely to be poor than those who work, inequality among pensioners persists, with older women facing a higher risk of poverty or social exclusion than older men, and people in non-standard or self-employment often facing less favourable conditions for accessing and accruing pension rights than those in open-ended, full-time job contracts. Finally, the older people get, the higher their risk of poverty or social exclusion. The EU's main policy responses in this field have been to facilitate mutual learning and exchange of best practices, and to continuously review the sustainability of Member States' ageing-related public expenditure. A High-level group of experts on supplementary pensions was also set up to explore the potential contribution of supplementary pensions to adequate old-age incomes. The proceedings of this group of experts can be found in the Final Report[83], published in 2019.

The Work-life balance directive has also been identified by the European Parliament as a crucial way of fighting poverty and inequality. Given that women are more at risk of poverty and social exclusion than men, tackling the gender pay gap and guaranteeing access to affordable and quality childcare are important steps in this respect. Indeed, in complement to the legislative proposal, the initiative contains **a set of non-legislative measures**, including:

- ensuring **protection against discrimination and dismissal** for parents (including pregnant women and workers coming back from leave) and carers;
- encouraging a **gender-balanced use** of family-related leave and flexible working arrangements;
- making better use of **European funds** to improve provision of formal care services (childcare, out-of-school care and long-term care);
- removing **economic disincentives** for second earners which prevent women from accessing the labour market or working full-time.

Another important measure in this regard is the recently proposed directive on pay transparency, which aims to tackle the gender pay gap and thus also the gender pension gap by setting out pay transparency measures, such as pay information for job seekers, a right to know the pay levels for workers doing the same work, as well as gender pay gap reporting obligations for big companies. The proposal also strengthens the tools for workers to claim their rights and facilitates access to justice.

Roma integration – a population which is disproportionately affected by poverty – within the EU has also been firmly on the policy agenda since 2010. The EU framework adopted in 2011 called for integration strategies centred around education, employment, healthcare and housing. All Member

[82] Commission recommendation of 14.10.2020 on energy poverty. Available at: https://ec.europa.eu/energy/sites/ener/files/recommendation_on_energy_poverty_c2020_9600.pdf.

[83] Final report of the high-level group of experts on pensions. Available at: https://www.pensionseurope.eu/system/files/HLG%20report_FINAL.pdf.

States were then required to produce Roma inclusion strategies (NRIS) to be assessed by the European Commission. The coronavirus crisis has caused a particularly hard economic impact due to the large number in the Roma community engaged in informal work which has been hard hit by national lockdowns. On 12 March 2021, the Council of the European Union adopted a recommendation on Roma equality, inclusion and participation in all Member States.

In March 2021, the European Commission launched the Strategy for the Rights of Persons with Disabilities 2021-2030. Flagging the higher risk of poverty or social exclusion for people with disabilities, the strategy aims to ensure that persons with disabilities in Europe, regardless of their sex, racial or ethnic origin, religion or belief, age or sexual orientation:

- enjoy their human rights;
- have equal opportunities;
- have equal access to participate in society and economy;
- are able to decide where, how and with whom they live;
- can move freely in the EU regardless of their support needs;
- no longer experience discrimination.

Looking forward, one should also note the recent Porto Social Commitment and the Porto Declaration. The latter, adopted by the European Council in May 2021, underlines the importance of social cohesion at the heart of the European project and commits to "reducing inequalities, defending fair wages, fighting social exclusion and tackling poverty, taking on the objective of fighting child poverty and addressing the risks of exclusion for particularly vulnerable social groups such as the long-term unemployed, the elderly, persons with disabilities and the homeless". The Porto Declaration also welcomes a joint proposal made by the European Social Partners for an alternative set of indicators to measure economic, social and environmental progress, supplementing GDP as a welfare measure for inclusive and sustainable growth. Finally, in 2022, the Commission has announced a report from a new High-Level Expert Group on Access to Adequate and Sustainable Social Protection, which is still to be set up.

5. CONCLUSIONS

KEY FINDINGS

- Poverty and social exclusion are multifaceted concepts; thus no single policies are sufficient to fight against it. Consistently, both predistributive measures – affecting market outcomes and individuals' endowments of crucial skills – and pure redistributive measures (mostly minimum incomes) are needed for an effective anti-poverty strategy.
- However, the definition of anti-poverty also depends on the poverty concept followed by the policymakers. To this aim, a battery of indicators capturing the various concepts of poverty should be used instead of focusing on a single concept only (e.g. on a relative concept based on national incomes).
- Effective anti-poverty measures should therefore be matched with the availability of good data, both from administrative and survey sources, allowing researchers, stakeholders and policymakers to effectively monitor the various multifaceted components of inequality and poverty.
- No clear-cut indications emerge from the theoretical and empirical literature about the best methodology to apply in order to conceptualise and measure poverty and social exclusion. Hence, great attention and transparency should be devoted to the rules followed by researchers and policymakers to define the groups of people in need and, relatedly, to establish the means-testing conditions for being eligible to social benefits and minimum incomes.
- Poverty indicators included in the portfolio of the Europe2020 strategy reported very different levels and time trends across EU countries, and risks of poverty of population of EU-27 countries are clearly expected to rise due to the COVID-19 outbreak. Nevertheless, because of data limits, the literature still lacks clear evidence of the (actual) effects determined by the pandemic on the spread of poverty and social exclusion in the EU.
- Since the mid-2010s, a number of factors favoured stronger mobilisation towards an EU-level MIS of stakeholders at supranational level, primarily European social NGOs and also trade unions. During the 2020 pandemic, it also appeared that political dynamics might eventually materialise both among European institutions and across EU Member States. In 2020, also relevant stakeholders mobilised and a relatively united front emerged. However, by mid-2021 momentum for the adoption of a binding EU framework in the field of MIS seems to have stalled. Policy development ultimately rests on political conditions and incentives.
- Nevertheless, as to the nature of future EU actions in the field, both social NGOs and TU agree that it should be a binding legal framework in the form of Directive. In this regard, it is of utmost importance to consider the assessment of the Europe 2020 performance in the field of poverty and social exclusion not merely in terms of outcomes and related key indicators, but also with regard to procedural effects.
- In this context, the availability and conditional provision of the EU's financial resources may help national governments to deliver on poverty, with particular reference to the establishment/development of key social and activation services attached to anti-poverty and minimum income programmes.
- The integration of anti-poverty and economic-financial policies within the same overarching EU strategy and governance framework might allow various actors at different levels of government to exploit such a framework calling for a stronger consideration of the social consequences of (macro-)economic and financial policies.

5.1. Summary of main evidence about poverty trends and measures and main suggestions

This study has pursued two main aims: i) assessing concepts and indicators of poverty and social exclusion both on theoretical and empirical grounds, also reviewing the main evidence regarding poverty levels and trends in EU countries and presenting some simulations about the robustness of country rankings and the sensitivity of the groups identified as poor when different measures are used; ii) focusing on national and EU-level policies dealing with poverty and social exclusion and, in particular, on the role and the characteristics of minimum income schemes (MIS), including evaluating in depth the feasibility of an EU minimum income framework and carrying out dedicated interviews with key EU-level stakeholders.

The review of concepts and measures of poverty and social exclusion presented in Chapter 1 – focusing in particular on the dichotomies absolute vs relative poverty and income vs consumption as the best proxy of individuals' and households' living standards – showed that no unanimous suggestions come from the economic and social policy literature, since both poverty concepts and well-being measures have their pros and cons when capturing poverty levels and trends and identifying people most in need. Hence, **no clear-cut indications emerge from the theoretical and empirical literature about the best methodologies to apply in order to conceptualise and measure poverty and social exclusion.**

Against this background, **most analyses follow an approach based on the characteristics of the available data. Therefore, data quality becomes a crucial prerequisite** to carrying out sound analyses of the extent of poverty across and within countries, and, accordingly, **EU institutions** – in particular, Eurostat – **should dedicate the utmost attention, as they already do, to the issue of the cross-country comparability of income data recorded in the EU-SILC**. In the future, they should consider launching a homogenised European Household Budget Survey, in order to compare expenditure-based absolute poverty across countries.

Although the EU Commission has defined official poverty and social exclusion indicators for many years – mostly relying on AROP and AROPE concepts –, **EU Members often adopt their own** (more or less implicit) **poverty definitions when implementing national minimum income schemes** (MIS), which are primarily aimed at fighting poverty and social exclusion.

The recipiency of minimum income benefits – i.e. means-tested cash benefits aiming to guarantee a minimum amount of resources to those who have insufficient means of subsistence and satisfy a set of conditions also based on their income and assets – is usually implicitly associated with the poverty status. However, findings of the review carried out in this study clearly highlighted that **the (implicit) poverty definition adopted in MI schemes turns out to be generally more strict than the AROP definition** across EU-27 countries because of various reasons (e.g., age and residence requirements, means-tests on household wealth). This stricter definition engenders effects on the coverage and adequacy of MIS. Therefore, the link between poverty and minimum income scheme recipiency is vaguer and less strict than expected, as the poverty concept considered to be eligible for that scheme may widely differ from the poverty concepts followed by academics and institutions, and the eligibility requirements established by national MI programmes may include further conditions relating to individuals' and households' incomes.

This degree of vagueness of the poverty concept, mirrored by a non-clear-cut definition of the groups eligible to receive help from national anti-poverty measures, is thus something that should be carefully kept in mind by researchers, stakeholders and policymakers interested in

distributive and social policy issues.

Confirming that different methods chosen to identify the poor and measure poverty might affect the extent of the observed phenomenon, Chapter 2 of this study presented a set of poverty and social exclusion indicators and showed that different indicators show changing levels and trends across EU countries. Nonetheless, **serious concerns emerge about AROP levels in many EU countries and the lack of a clear decrease in this indicator, despite the explicit target set in the Europe-2020 strategy**. Moreover, the economic literature agrees on the fact that **the spread of poverty in EU countries is expected to rise due to the COVID-19 outbreak**, even if such literature still lacks clear evidence of the (actual) effects determined by the pandemic on the spread of poverty and social exclusion in the EU because of data limits when observing changing patterns of income distribution in real time.

However, one main finding of the analysis shown in this study, carried out by using EU-SILC data for all 27 EU countries, is clearly summed up by the fact that cross-country rankings in poverty indicators and, especially, **the groups of individuals which are defined as poor within each country change when different poverty concepts or indicators are used or different methodological choices about how to measure poverty are taken**. This evidence calls for great attention and transparency about the rules followed by researchers and, above all, by policymakers, to define the groups of people in need. Thus, on the one hand, a careful assessment of the various means-testing conditions set by national authorities for being eligible for social benefits and minimum incomes should be provided by researchers, also in order to evaluate the target efficiency of anti-poverty measures. On the other hand, **policymakers should explain in detail to the stakeholders and the general audience the reasons behind the choice of specific eligibility requirements for anti-poverty benefits** (e.g. if they are associated with the poverty concept used, or are made tougher to avoid possible opportunistic behaviours by the recipients, or merely to cut public spending on social protection benefits).

As a consequence, **a clear suggestion for national and EU-level policymakers is that multiple indicators are needed to capture all aspects of a multifaceted concept such as poverty**. Likewise, higher transparency by national authorities about the judgement values behind the criteria used for establishing means-testing conditions for targeted welfare benefits, and especially minimum incomes, would also be welcome in order to assess the target efficiency of these benefits (i.e. to evaluate why some individuals with low incomes or wealth are not entitled to these benefits while some other individuals with similar conditions are instead entitled) and how the benefit amount changes according to the household characteristics.

A crucial issue remarked in the study is that the EU mostly follows a relative approach when measuring poverty – the AROP rate is based on a poverty line equal to 60% of the national equivalised disposable median income – that is very useful to capture the inequality emerging in the bottom tail of the income distribution but presents some drawbacks when one aims to assess, also in cross-country comparison, the living standard of those with less income in EU countries. Furthermore, as known, relative indicators do not change when national income changes – except when large movements in the income distribution occur – since the poverty threshold changes in line with the national income change.

Therefore, **to better compare country performances and evaluate anti-poverty national policies, an absolute poverty measure in addition to the 'qualitative' SMD index should be introduced at the EU level.** Such a measure should be based on the 'reference budget approach', i.e. on the definition of a basket of goods and services deemed as necessary in the various countries and on the computation of the cost of this basket. However, defining an EU-level based reference budget approach is still very difficult since, on the one hand, countries may largely differ in what is considered as a necessary basket,

thus exposing to possible arbitrariness in the measure, and, on the other hand, unlike the homogenous income data recorded in the EU-SILC, EU countries, as mentioned, still lack a homogenous survey recording household budgets and consumption.

However, this strategy should be quickly pursued in order to have a more exhaustive picture of inequality and poverty in EU countries and thereby to provide the most correct information for sound and effective policy measures.

In addition, in the same vein, **further improvements should be made as concerns data availability, for instance higher integration with administrative data (to reduce underreporting of transfer income in surveys) and possible integration of wealth and consumption data, at least at the national level, to assess the multifaceted characteristics of poverty and to assess the efficacy of the various means-testing conditions**. Some countries are actually moving towards the use of administrative data and the integration with survey data (e.g. Italy, Germany and Northern European countries), even if these nationally-based datasets still clearly lack cross-country comparability.

Nevertheless, as pointed out, **due to the uncertainty as to the best concept to identify the poor, it is unrealistic to think that MIS might perfectly overlap with every concept of poverty**.

To assess the capacity of MIS to protect against poverty, entitlement conditions to these schemes (i.e. the coverage) and the amount of the benefit package have to be carefully assessed, also in order to evaluate the intersection between individuals' eligibility to MIS and poverty status. Simple computations based on the EU-SILC (whose limitations for analysing coverage and adequacy of MIS have been remarked in this study, since no variables exactly capturing MIS are recorded in this survey) clearly show that the overlap between the most used poverty concepts and the entitlement to MIS is far from perfect. Apart from data limits, the lack of overlap between MIS coverage and poverty might be due to the use of national criteria other than those followed in the EU definition of poverty, or to high non-take-up rates of social benefits among potentially eligible people. Furthermore, the simulations presented in this study clearly highlight that **groups of recipients of a means-tested minimum income benefit might highly differ according to the economic variable and some technical details considered for the means-testing conditions** (e.g. the computation formula of equivalence scales or imputed rents for home-owners), thus confirming that the identification of the poor is not robust to the way the poverty concept is modelled. **This aspect is instead often neglected in the policy debate, where it is implicitly presumed that poverty is an objective condition.** However, all the possible (and not undisputed) methodological choices about poverty measurement might represent a sort of hidden danger of targeted social programmes, since the identification of contributors and recipients and the amount paid/received by them might be in some sense arbitrary and not transparent (see Table 1 in Chapter 1).

The empirical research should then move further towards a more robust definition of the groups of individuals more at risk of social exclusion. To this aim, as mentioned, **it would be crucial to have microdata available where both consumption and incomes were recorded**, making it possible to analyse in detail the characteristics of those individuals who would be considered poor independent of the proxy variable used or, conversely, those who would enter or exit poverty according to the chosen variable. **Unfortunately, to the best of our knowledge, at the moment no micro-datasets record both consumption and income in EU countries.** A well-suited dataset – also developing the integration of survey and administrative data – could instead allow us to compare the distributions of income and consumption, especially at the bottom tails, thus arriving at a joint distribution of income-based and consumption-based absolute poverty, and, more generally, could be of great relevance to policy purposes regarding inequality and fiscal policies.

In view of this theoretical and empirical indeterminacy of the concept and the determinants of poverty and social exclusion, this study emphasised the need of a multifaceted approach to deal with poverty because of its many dimensions.

As a consequence, in line with statements by Raitano (2019), **policies to deal with rising inequality and poverty should follow a two-pronged strategy: on the one hand, affecting market outcomes through 'predistribution'** (Hacker 2011) to prevent markets from creating too large and unacceptable disparities (according to efficiency and effective equality of opportunity criteria); **on the other hand, strengthening the redistributive capacity of the tax and benefit system** (e.g., increasing tax progressivity on income, wealth and inheritances and strengthening the redistributive capacity of the welfare state and the coverage and the adequacy of minimum income packages), avoiding possible adverse incentives to individual behaviours related to the increase in progressivity and welfare transfers.

As remarked, poverty is a multifaceted issue that may be tackled by a set of different policies which may intervene on the various drivers of individual low-income statuses. For instance, when poverty mainly depends on negative labour market outcomes, 'predistributive' policies aimed at fostering employment (active labour market policies) or increasing low wages (e.g. reducing involuntary part-time or increasing minimum wages) may be effective. Likewise, further predistributive measures – related to the provision of crucial effective educational and lifelong learning programmes – are also needed when poverty results from a lack of crucial skills, especially when the poverty status is persistent. However, when poverty mostly depends on social deprivation or on income insecurity, broader redistributive social policies are called for. Thus, temporary poverty associated with negative labour market events might be addressed through effective unemployment benefits, while longer poverty spells – often independent of labour market outcomes – require the introduction of minimum income schemes, which may also include conditionality rules to improve individuals' skills and avoid the risk of poverty traps. Besides cash benefits and minimum incomes, poverty may be also addressed through the provision of in-kind welfare services (e.g. health and long-term care) and free provision of basic needs (e.g. food, school meals for students, housing) and essential services (e.g. costs of water, electricity and gas bills). Therefore, **poverty may not be countered with a single instrument, but fighting poverty calls for a strategy made of many tools, even though minimum income schemes, acting as a safety net, likely represent the core of an effective anti-poverty strategy**.

5.2. Main comparative conclusions about MIS in the six selected countries and policy recommendations

The analysis of the six counties selected for this report – Denmark, Estonia, Germany, Hungary Italy, Spain – revealed substantial variation of MIS along the main dimensions: a) policy trajectory; b) institutional features of national MIS; c) MIS output. As for *policy trajectories,* this study shows that MIS have not become more relevant policy programmes in *all* countries in the last two decades. In some cases, the role played by MIS has actually declined in the last decade: above all in Hungary due to *retrenchment* measures, and to a more limited extent in Estonia and Denmark. In Germany, the MIS trajectory is more ambivalent since the SGBII (Social Code II) acquired a central role in the reformed system following the Hartz IV reform, but its relevance subsequently declined due to substantially decreasing poverty rates. However, in the two southern European countries that were dramatically affected by high poverty rates during the "Great Recession" phase, MIS have been substantially expanded and made more robust.

With regard to MIS *institutional features* (eligibility conditions, benefit amount and duration, activation and conditionality requirements), there are major variations regarding the three key dimensions of i) accessibility; ii) adequacy; iii) enabling character of MIS.

Accessibility. In some countries, eligibility conditions – particularly concerning individuals of different age groups and residence status – imply differential treatment among potential MIS beneficiaries. In Denmark, Spain and Italy, residency requirements hinder full accessibility to ordinary MIS for migrants with limited years of residency in the country. The situation appears particularly critical in Denmark and especially in Italy. The minimum age threshold of 23 years to get access to the Vital Minimum Income (*Ingreso Minimo Vital* – IMV) in Spain discriminates against the young, whereas in Denmark individuals aged less than 30 years are not entitled to the ordinary MIS but are typically protected through assistance benefits of a lower amount.

Non-take up is not effectively monitored in all countries, as repeatedly argued in several comparative reports on MIS[84] – an issue which would actually deserve attention at the supranational level since the EU's coordinated monitoring procedures would be extremely relevant in this regard. Non-systematic available data show, however, (e.g. in the German case) that this is still a major challenge, since roughly 30% of potential claimants do not actually apply for benefits[85].

Adequacy. In all countries analysed here the *standard benefit amount* for a single beneficiary is significantly below the relative poverty threshold. However, the recent developments in the two southern European countries have raised the levels of both the Italian and Spanish MIS to around 60% of the AROP threshold. Whereas MIS levels in the six countries are still inadequate to provide full protection against (relative) poverty, in some cases they get closer to the latter aim when housing supplements attached to minimum income benefits are considered (especially in Italy, Denmark and Germany).

The enabling character of MIS. Activation and conditionality measures are in place in the all the six analysed countries. However, in the case of Estonia, activation is not mandatory and municipalities have some discretionary power in implementation. In Germany and especially Denmark, activation measures appear to have a more enabling character, in contrast with Hungary where the coercive character of conditionality mechanism prevails. Germany and Denmark are also relevant cases with regard to how conditionality and sanctions are effectively implemented: in the latter country sanctions have always been gradual and proportional, whereas Germany stands out as a case of softened conditionality in recent years. In Italy and Spain, it is too early to assess the more or less stringent implementation of the conditionality mechanism related to the recently established MIS.

As regards the relationship between MIS, activation and especially work participation – which is extremely relevant in the light of increasing in-work poverty rates in several European countries – there exist substantial cross-country differences both in the possibility to combine MIS and work and especially – where such combinations are allowed – possible incentives to return into formal paid employment. With the exception of Hungary, the combination of work and benefit is generally allowed. However, positive incentives are in place in a few cases only: notably Estonia and Germany.

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[84] See. Van Lancker, A., 2013, Analysis of Minimum Income Schemes in 5 Selected EU Member States – Synthesis Report, EMIN; ESPN, 2015, Minimum Income Schemes in Europe. A study of national policies, Brussels, European Commission; Eurofound, 2015, Access to social benefits: Reducing non-take-up, Publications Office of the European Union, Luxembourg.

[85] The (often outdated) figures reported in the Eurofound (2015) analysis mentioned above show that non-take up may reach extremely high levels in countries not covered in this comparative analysis: 49-62% in AT (2003), 57-75% in Belgium (2005), 41-68% in Bulgaria (2007), ca. 50% in Finland (2010), 72% in Portugal (2001). It clearly emerges that the non-take-up issue would deserve better monitoring both at the national and the EU level in order to have update and comparable figures about the extent of the phenomenon.

Output – expenditure (% of GDP) and coverage (% of total population) – also vary remarkably with the six selected countries being actually placed along a continuum from the most expensive and inclusive MIS (Germany) to the least (Hungary). Denmark and Italy are not far from the former, Estonia is close to the latter, whereas for Spain the figures related to the recently established IMV are not available yet.

Policy recommendations

Against the backdrop of the comparative analysis in Chapter 3, it is recommended that Member States ensure that Minimum Income Schemes are further developed based on the three fundamental principles identified in the Benchmarking framework on Minimum Income:

1. Adequacy

This implies that:

- Allocated resources (as a share of GDP) are sufficient to allow MS to effectively contribute to reaching the poverty target set by the EU's European Pillar of Social Rights Action Plan (Box 8).
- Benefits should be set at a level that allows beneficiaries to live in dignity: for this purpose either the relative poverty threshold should be taken as the reference, or reference-budgets should be calculated by independent experts for all countries.
- Benefit levels should be adequate not only for single-member households but for all household types: this is particularly relevant for large households with children, especially in those countries where poverty and social exclusion are closely associated with household composition.
- In accordance with the basic principle of the protection of a minimum standard of living, benefit levels should not be made dependent on nationality/residency requirements.
- Housing costs should be fully covered by MIS supplements (up to a reasonable, nationally-defined threshold).

2. Accessibility

- Asset tests should be carefully designed in order not to exclude a priori vulnerable people at risk of poverty nor to discourage people at risk of poverty from saving.
- In order to ensure full accessibility, eligibility rules should not discriminate against applicants on the basis of ascriptive characters.
- After reviewing existing regulations and practices in the six Member States considered in this report, exclusionary rules based on age and/or residence duration in the country are not infrequent: these rules should be changed in order to ensure full access.
- In several countries, low take-up rates signal significant bottlenecks during the claiming process. Furthermore, application procedures can be complex and stigmatising. Simplifying access procedures would ensure a higher take-up rate of minimum income benefits, reduce information asymmetries and thus ensure that all people in poverty can access minimum income protection.

- In several countries, processing minimum income claims may require much time, while it is crucial to rapidly support people in poverty also to avoid long-term need situations. It is thus crucial to minimise the waiting time between application and receipt of financial support.
- Moreover, given labour market flexibility, making minimum-income protection more responsive through timely reassessments of entitlements in the face of rapidly changing circumstances is a policy priority.
- Non-take up should be systematically and more effectively monitored through both supranational and national monitoring procedures.

Enabling character

- Activation measures should be differentiated and tailored in accordance with the beneficiary's profile.
- Conditionality mechanisms should respect the basic principle of the protection of a minimum standard of living. They should be thus carefully graduated considering beneficiaries' individual conditions.
- Free of charge inclusionary/education services for children should be attached to the provision of MIS for families with children.
- MIS design should not disincentivise paid work – i.e. in-work benefits should be provided.

5.3. Towards an EU-level Minimum Income Scheme?

The fight against poverty and social exclusion as well as related social policy measures have been on the European agenda for a long time. Against such a backdrop, since the mid-2010s, a number of factors have favoured stronger mobilisation of stakeholders at the supranational level, primarily European social NGOs and also trade unions. Among these factors, one should note the dramatic impact of the COVID-19 pandemic on the economy and labour market, as well as the innovative measures adopted by EU institutions to tackle the economic and social impact of the crisis which also put an end to the decade-long dominant austerity policy framework. The institutional framework for taking action at the supranational level in the field of minimum income protection was also laid down, with principle 14 of the European Pillar of Social Rights stating that "Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services".

During the 2020 pandemic, it also appeared that political dynamics might eventually materialise both among European institutions and across EU Member States, especially under the impulse of the German presidency of the Council of the EU (July–December 2020), which led to the Council conclusions of 9 October 2020 on "Strengthening Minimum Income Protection to Combat Poverty and Social Exclusion in the COVID-19 Pandemic and Beyond".

Council's conclusions were subsequently welcomed and endorsed by the European Parliament's Resolution adopted on 17 December 2020, which called for the need to set "mandatory targets" and goals of social sustainability in order to achieve the UN SDGs through an ambitious agenda for a strong social Europe. Accordingly, the EP invited the European Commission to further develop the Council conclusions, proposing a framework for minimum income schemes, with the purpose of safeguarding the right to a decent life and eradicating poverty and addressing the questions of adequacy and coverage, including a non-regression clause.

In 2020, relevant stakeholders also mobilised and a relatively united front – including key social NGOs such as Caritas, EAPN, Eurodiaconia, Social Platform and trade unions (ETUC) – emerged. This front – which took on the appearance of a proper coalition in the course of 2020 – is cohesive with regard to both the main content of possible EU initiatives in the field of minimum income and the nature of such initiatives. With regard to content, all organisations agree that a supranational tool should aim at strengthening MIS in Member States along three key institutional dimensions: i) accessibility, ii) adequacy, iii) the enabling character of programmes.

However, by mid-2021, momentum for the adoption of a binding EU framework in the field of MIS seems to be lost. Policy development ultimately rests on political conditions and incentives. The interviews conducted and the documents analysed revealed that both the constellation of interests and the balance of power in the field of MIS in the multilevel EU setting, as well as the timing, do not seem favourable for the adoption of a binding supranational minimum income framework.

Strong resistance against a possible EU directive on MIS is reported on the part of some DGs of the European Commission, within the European Parliament and especially among Member States, especially central-European countries, in contrast to open support by the southern European countries and some central Member States (Belgium, France, Germany) with Nordic countries taking a more ambivalent position.

Nevertheless, as to the nature of future EU actions in the field, both social NGOs and trade unions agree that it should be a binding legal framework in the form of a Directive. In this regard, in 2020, EAPN commissioned an expert study with the aim of assessing whether a binding MIS directive would be legally feasible within the current EU constitutional architecture. Interestingly, the expert study released in October 2020 argues that a binding directive in the field of MIS could be accommodated within the current constitutional framework under Article 153(1)(h) TFEU and Article 175 TFEU.

Despite that potential legal feasibility within the current EU constitutional framework, the major hurdles hampering a supranational binding framework in the field of MIS are of a political nature. Therefore, it is very likely that in the short to medium term, EU actions aimed to strengthen minimum income protection and promoting upward convergence across MS will still rely on "hybrid governance" mechanisms (Armstrong 2010; Jessoula 2015), making effective usage of i) political and normative signals implied by the existence of an EU target on poverty to be reached by 2030; ii) financial resources provided by the Recovery and Resilience Facility in the novel and more favourable framework of the Next Generation EU (NGEU), as well as iii) institutional resources provided by the governance architecture of the European Semester.

In this regard, it is of utmost importance to consider the assessment of the Europe 2020 performance in the field of poverty and social exclusion, not merely in terms of outcomes and related key indicators (AROPE, AROP, SDM, LWI), but also with regard to *procedural* effects.

Research contained in a recent volume (Jessoula and Madama 2018) on the implementation and the performance of the Europe 2020 strategy in the field of (anti-)poverty policies actually showed that – within the current constitutional and institutional framework – the EU's 'social effectiveness' depends on strengthening multi-level, multi-stakeholder and integrated (social/anti-poverty) arenas.

In this scenario, 'hybrid governance' systems such as the Europe 2020/European Semester/EPSR frameworks may prompt such a development, by combining supranational/national hard targets, governance tools relying on iterated interactions between EU institutions and national actors and, last but not least, financial resources linked to the EU's targets as well as national strategies.

In particular, the implementation of the Europe 2020 strategy revealed that the setting of quantitative targets helped since it constituted – under favourable conditions – a reference point for the parties involved. Even beyond their scientific reliability and precision (cf. Copeland and Daly 2014 for a sharp critique of the Europe 2020 poverty target), hard targets are actually endowed with political relevance and come with political resonance. Thus, they: (i) reinforce supranational institutions in their interactions with MS, allowing the former to issue country specific recommendations on poverty enshrined in the European Semester framework and directly linked with the supranational/national targets; (ii) can be 'used' by national political (parties) and social actors (social NGOs, social partners) to put 'reinforced pressure' on governments by appealing to the EU's main goals and objectives – and related national commitments.

In this context, the availability and conditional provision of the EU's financial resources may help national governments to deliver on poverty, with particular reference to the establishment/development of key social and activation services – for individuals able to work – attached to anti-poverty and minimum income programmes. Importantly, the evidence shows that this is more likely to happen in countries with less robust anti-poverty policies, thus implying a possible 'upward convergence' across European MS in this field. Such a virtuous dynamic is also more likely to unfold when national stakeholders are fully involved in both the iterated process of the European Semester and decision-making on the usage of EU funds.

Finally, the analysis suggests that the integration of anti-poverty (more broadly, social) and economic-financial policies within the same overarching EU strategy and governance framework (e.g. the Semester) may allow various actors at different levels of government to exploit such a framework calling for a stronger consideration of the social consequences of (macro-)economic and financial policies.

This said, acknowledging the limitations of governance frameworks based on "soft-law" coordination mechanisms, we share the view of a recent briefing for the European Parliament, arguing that "A more coherent implementation of targets at national level compared to what happened under the EUROPE-2020 strategy is needed." (Konle-Seidl 2021).

This would require actions in different directions: i) the translation of 2030 EU anti-poverty target into national targets – as already occurred within the Europe 2020 strategy[86] and as recently reinstated by the both the EPSR Action Plan and 14 June 2021 Presidency Steering Note for the EPSCO meeting "Follow-up of the Porto Social Summit – next steps for the EPSCO Council"; ii) the identification by MS governments in Recovery and Resiliency Plans (and future national reports within the European Semester) of policy measures aimed to reach the national target, combined with an ex-ante assessment of how these policies should contribute to reach the target, iii) the possible definition of intermediate targets, which would be useful to track likely deviations from the identified path; iv) the iterated, and above all consistent, assessment of national plans, measures and results by the European Commission, also relying on independent evaluation by networks of experts such as the European Social Policy Network – ESPN[87] and the full integration of both social partners and social NGOs in the Semester framework; v) the consistent provision of Country Specific Recommendations based on the assessment results of adopted policy measures. Moreover, with regard to minimum income schemes, a further improved monitoring scoreboard would be necessary in order to highlight the key features of national

[86] The main problem in the Europe 2020 phase was that not all MS established the national targets in accordance with EU's indicators, see Jessoula and Madama (2018).

[87] Established in 2014, the European Social Policy Network (ESPN) provides independent advice and analysis on social policy issues in the EU, in neighbouring countries and in third countries. See https://ec.europa.eu/social/main.jsp?langId=en&catId=1135.

programmes (and their effects) along the three main dimensions of accessibility, adequacy, enabling character of MIS services (see also Konle-Seidl, 2021).

Policy recommendations

Against the backdrop of the analysis in Chapter 4, it is recommended that, in the field of measures directed to fight poverty and social exclusion, and especially Minimum Income Schemes, EU institutions and governance procedures should aim to:

- strengthen minimum income protection, including by promoting upward convergence across MS;
- reinforce MIS along the three key dimensions of i) accessibility, ii) adequacy, iii) enabling character of activation measures;
- promote reforms aimed at respecting the basic principle of ensuring minimum standards of living, especially with regard to both the setting of benefit levels and design of activation/conditionality mechanisms;
- ensure that MS remove discriminatory rules and obstacles limiting access for particular social groups (e.g. young, new residents, ethnic groups, homeless, etc.).

In light of a recent study (Van Lancker et al. 2020) arguing that a binding EU framework would be legally feasible under current EU's constitutional architecture, under Article 153(1)(h) TFEU and Article 175 TFEU, a European Directive on MIS would certainly be welcomed as the most appropriate and effective supranational tool to strengthen national MIS.

Given to the current lack of such political will, advancements in the field of anti-poverty measures and MIS should be ensured through strengthened 'hybrid governance' systems (Armstrong 2010, Jessoula 2015) such as the European Semester/EPSR frameworks combining the following elements:

- supranational/national hard targets;
- governance tools relying on iterated interactions between EU institutions and national actors;
- financial resources linked to EU's targets as well as national strategies.

Within such "hybrid governance systems" and with reference to the EPSR Action Plan, an effective implementation of national targets would require:

- the translation of the 2030 EU anti-poverty target into national targets;
- the identification by MS governments in Recovery and Resiliency Plans (and future national reports within the European Semester) of policy measures aimed to reach the national target as well as an ex-ante assessment of how these policies should contribute to reach the target;
- the definition of intermediate targets in order to intercept deviations from the identified path in good time;
- the iterated, and above all consistent, assessment of national plans, measures and results by the European Commission;
- the involvement of experts such as the European Social Policy Network – ESPN in the Semester process in order to allow independent evaluation of national plans and progress;
- full integration of both social partners and social NGOs in the Semester framework;

- the consistent provision of Country Specific Recommendations based on the results of assessment of the policy measures adopted;
- specifically in the field of MIS, an further improved monitoring scoreboard should highlight the key features of national programmes and their effects along the three main dimensions of accessibility, adequacy, enabling character of activation measures.

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ANNEX

List of interviews

- BusinessEurope – April 8th 2021, e-mail correspondence;
- ETUC – April 13th 2021, Microsoft Teams Interview;
- Caritas Europa – April 13th 2021, Skype Interview;
- Social Platform – April 14th 2021, Microsoft Teams Interview;
- Philippe Pochet, General Director of the ETUI – April 14th 2021, Microsoft Teams Interview;
- EAPN – April 14th 2021, Microsoft Teams Interview;
- FEANTSA – April 15th 2021, Microsoft Teams Interview;
- Mathias Maucher, minimum income expert – April 21st 2021, Microsoft Teams interview.

The study pursues two main aims. Firstly, it addresses the issue of poverty and social exclusion from a theoretical perspective — assessing the relevant concepts — and an empirical perspective — discussing the limitations of different indicators and data with reference to EU countries. Secondly, it focuses on national and EU-level policies dealing with poverty and social exclusion, in particular, on minimum income schemes, presenting 6 country case studies and evaluating the feasibility of an EU minimum income framework.

This document was provided by the Policy Department for Economic, Scientific and Quality of Life Policies at the request of the committee on Employment and Social Affairs (EMPL).

PE 662.932
IP/A/EMPL/2020-13

Print ISBN 978-92-846-8329-1 | doi:10.2861/27950 | QA-08-21-190-EN-C
PDF ISBN 978-92-846-8328-4 | doi:10.2861/756177 | QA-08-21-190-EN-N