EUROSHIP

closing gaps in European social citizenship

# *The institutional logics of minimum income schemes in seven European countries*

## EUROSHIP Working Paper No. 4

## July 2021

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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 870698. The opinions published in this deliverable only reflect the authors` view. The Agency and the Commission are not responsible for any use that may be made of the information it contains.

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i) to advance the knowledge base that underpins the formulation and implementation of relevant policies in Europe with the aim of exercising the EU social rights as an integral part of EU citizenship and promoting upward convergence, and

ii) to engage with relevant communities, stakeholders and practitioners in the research with a view to supporting social protection policies in Europe. Contributions to a dialogue about these results can be made through the project website euroship-research.eu, or by following us on Twitter: @EUROSHIP_EU.

**To cite this report:**

Jessoula, M (2021) The institutional logics of minimum income schemes in seven European countries. EUROSHIP Working Paper No 4. Oslo: Oslo Metropolitan University. DOI: https://doi.org/10.6084/m9.figshare.14892423. Available at: https://euroship-research.eu/publications.



The original version of this working paper was submitted to the European Commission's Research Executive Agency (REA) as EUROSHIP Deliverable 4.1 in March 2021.

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# Table of Contents

1. Introduction ........................................................................................................... 4
2. Setting the stage: poverty and social exclusion ..................................................... 4
2.1. Work, poverty & inequality ................................................................................ 6
2.2. Welfare, poverty & material deprivation ............................................................ 9
3. Minimum income schemes, in context: a comparative overview ........................... 11
3.1. MIS: main dimensions and cross-country variations ........................................ 12
Norway ........................................................................................................... 14
Estonia ........................................................................................................... 14
Hungary ......................................................................................................... 15
Spain .............................................................................................................. 16
Italy ................................................................................................................ 17
Germany ........................................................................................................ 19
United Kingdom ............................................................................................. 20
3.2. MIS policy trajectories, 1990-2019 ................................................................... 21
Norway ........................................................................................................... 21
Estonia ........................................................................................................... 22
Hungary ......................................................................................................... 23
Spain .............................................................................................................. 24
Italy ................................................................................................................ 25
Germany ........................................................................................................ 27
United Kingdom ............................................................................................. 28
Synthetic comparative summary tables ............................................................. 28
4. References ............................................................................................................. 31

# 1. Introduction

In the framework of the EUROSHIP project, this report aims at presenting the first main comparative findings from the analysis of Minimum Income Schemes (MIS) - intended as means-tested monetary benefits for working age individuals aimed to reduce poverty and social exclusion - in the seven selected countries belonging to different welfare regimes and models - Estonia, Germany, Italy, Hungary, Norway, Spain, and the UK.

Against the backdrop of social and employment indicators illustrated in Section 2, the main objectives of the report are: i) identifying the main *institutional features* and *output* indicators (among which benefit level, coverage, and expenditure) of MIS; ii) putting MIS "in context" with respect to other social protection programs, especially unemployment benefits (UB); iii) outlining the main policy trajectory of MIS in the last two – three, where relevant – decades.

Thus, Section 2 provides some comparative indicators of the social situation in Europe, with a focus on poverty and social exclusion and against the backdrop of main labour market developments. The main overarching indicator "people at risk of poverty or social exclusion" will be analysed, complemented by a comparative illustration of the "at-risk-of-poverty" (AROP), "severe material deprivation" (SMD), and "in-work poverty" (IWP) rates, as well as employment and unemployment rates. Since MIS typically target *working age* individuals, the report includes data for this age group.

Section 3 first provides some comparative data concerning the generosity of MIS in European countries (Section 3.1), then turning to a detailed illustration of the main *institutional features* and *output indicators* in the sample of countries analysed in this report (Section 3.2).

Section 4 will instead aim at presenting the main *policy trajectories* in the field of MIS in the seven selected countries, also putting the latter "in context," specifically outlining the other social protection schemes which have systematic interactions with means-tested minimum income schemes, as outlined in the seven EUROSHIP country reports[1].

# 2. Setting the stage: poverty and social exclusion

In the 2010-2019 decade, the social situation in the EU was marked by the interplay between the impact of long-term structural transformations – primarily labour market flexibilization, family changes, and migration trends – with the severe consequences of the 2008-09 global economic shock and subsequent harsh austerity policies in several countries (Jessoula and Madama 2018; Ólafsson et al. 2019).

At least until 2016, aggregate figures showed that European countries overall had not yet fully recovered from the crisis - the cumulative change since 2008 of "people at risk of poverty or

[1] This report substantially draws from the seven «Country reports on national social protection systems» drafted within the EUROSHIP framework and all duly acknowledged in the text and in the references as well. The author is grateful to the national teams in the EUROSHIP project for their fruitful cooperation.
I am also particularly grateful to Margarita Leon for the valuable comments on the first draft of this report.

social exclusion" (AROPE) being positive (+827,000 individuals) – and the subsequent substantial recovery has then come to a halt due to the impact of the Covid-19 pandemic (EPC and SPC 2021).

However, when looking only at EUROSHIP countries, remarkable differences emerge across national trajectories which range from the extensive reduction of AROPE individuals in Germany (-2.09 million) and Hungary (-986,000) to significant increases in Spain (+1,261,000 in 2018, +979,000 in 2019), Italy (+1,360.000 and +360,000 in 2018 and 2019 respectively), and the UK (+1,054,000 in 2018) (Table 1).

**Table 1. AROPE - People at risk of poverty or social exclusion, cumulative difference from 2008 in thousands**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EU** | 516 | 3,467 | 6,383 | 5,461 | 4,672 | 1,847 | 827 | -4,474 | -7,528 | **-9,856** |
| **Germany** | -383 | -271 | -435 | -133 | 163 | -262 | -310 | -828 | -1,092 | **-2,098** |
| **Estonia** | -2 | 16 | 21 | 22 | 48 | 24 | 28 | 15 | 27 | **27** |
| **Spain** | 1,243 | 1,577 | 1,841 | 1,844 | 2,616 | 2,389 | 2,040 | 1,450 | 1,261 | **979** |
| **Italy** | -190 | 1,776 | 2,894 | 2,147 | 2,064 | 2,387 | 3,055 | 2,325 | 1,360 | **306** |
| **Hungary** | 154 | 298 | 478 | 604 | 302 | -59 | -253 | -329 | -908 | **-986** |
| **Norway** | 15 | 4 | -20 | 13 | -19 | 69 | 90 | 135 | 159 | **165** |
| **United Kingdom** | 142 | -26 | 1,029 | 1,517 | 1,202 | 928 | 290 | 256 | 1,054 | **:** |

*Source: Author's elaboration on Eurostat data*

Adopting a *long durée* perspective and turning to relative figures of AROPE individuals *aged than less 65 years*, which are more relevant in light of this report's focus on MIS for *working age individuals*, the picture is as follows (Table 2; Figure 1):

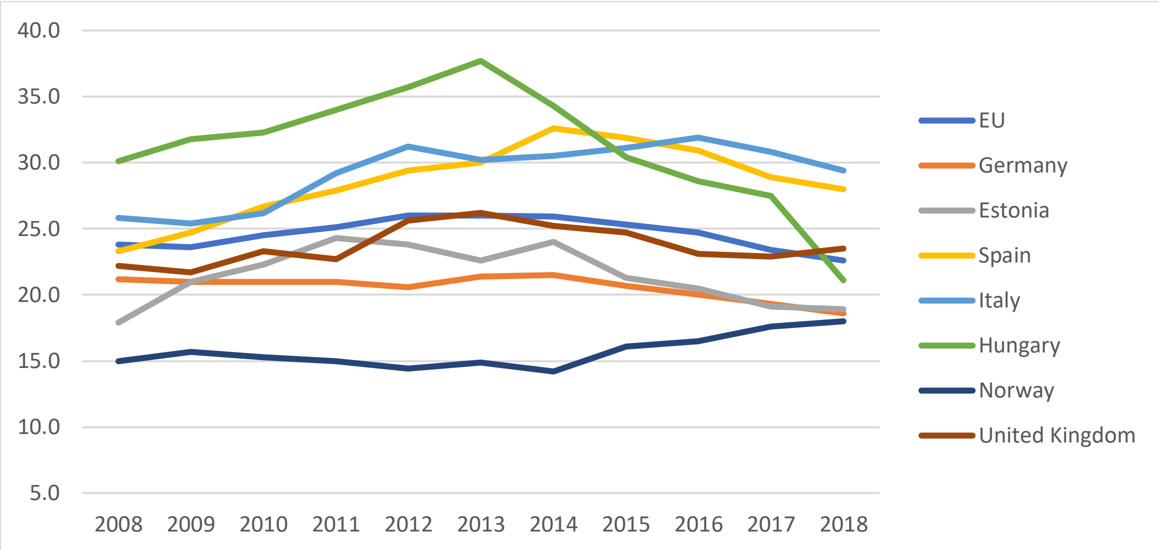
i) one country, Norway, was almost not affected by the crisis, thus presenting relatively stable and low AROPE rates (15.3% in 2010, 17.7% in 2019 versus a EU average of 22% in 2019) throughout the period;
ii) two countries, Germany and Estonia, show limited social consequences from the crisis, with a slight increase - 21.5% and 24.0% respectively, in 2014, and then decreasing - 17.1% DE; 19.4% EE, in 2019;
iii) Hungary initially shows extremely high AROPE rates (32.3% in 2010; 37.7% in 2013), and a subsequent formidable recovery (19.9% in 2019);
iv) with some oscillations, the AROPE rates have remained fairly stable in the UK: 23.3% in 2010, a peak at 26.2% in 2013, then 23.5% in 2018;
v) the two Southern European countries have been dramatically affected by the Great Recession, which was particularly long in Italy and Spain, pushing AROPE rates upward, from 26.2% (IT) and 26.7% (ES) in 2010 to 31.9% (IT 2016) and 32.6% (ES 2014) - with some signs of modest recovery just before the outbreak of the pandemic (27.3% IT; 27.5% ES in 2019).

**Table 2. AROPE – at risk of poverty or social exclusion rate, less than 65 years (%)**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EU** | 23.8 | 23.6 | **24.5** | 25.1 | 26.0 | 26.0 | 25.9 | 25.3 | 24.7 | 23.4 | 22.6 | **22.0** |
| **Germany** | 21.2 | 21.0 | **21.0** | 21.0 | 20.6 | 21.4 | 21.5 | 20.7 | 20.0 | 19.3 | 18.6 | **17.1** |
| **Estonia** | 17.9 | 21.0 | **22.3** | 24.3 | 23.8 | 22.6 | 24.0 | 21.3 | 20.5 | 19.1 | 18.9 | **19.4** |
| **Spain** | 23.3 | 24.7 | **26.7** | 27.9 | 29.4 | 30.0 | 32.6 | 31.9 | 30.9 | 28.9 | 28.0 | **27.5** |
| **Italy** | 25.8 | 25.4 | **26.2** | 29.2 | 31.2 | 30.2 | 30.5 | 31.1 | 31.9 | 30.8 | 29.4 | **27.3** |
| **Hungary** | 30.1 | 31.8 | **32.3** | 34.0 | 35.7 | 37.7 | 34.3 | 30.4 | 28.6 | 27.5 | 21.1 | **19.9** |
| **Norway** | 15.0 | 15.7 | **15.3** | 15.0 | 14.4 | 14.9 | 14.2 | 16.1 | 16.5 | 17.6 | 18.0 | **17.7** |
| **UK** | 22.2 | 21.7 | **23.3** | 22.7 | 25.6 | 26.2 | 25.2 | 24.7 | 23.1 | 22.9 | 23.5 | **:** |

*Source: Author's elaboration on Eurostat data*

**Figure 1. AROPE – at risk of poverty or social exclusion rate, less than 65 years (%)**

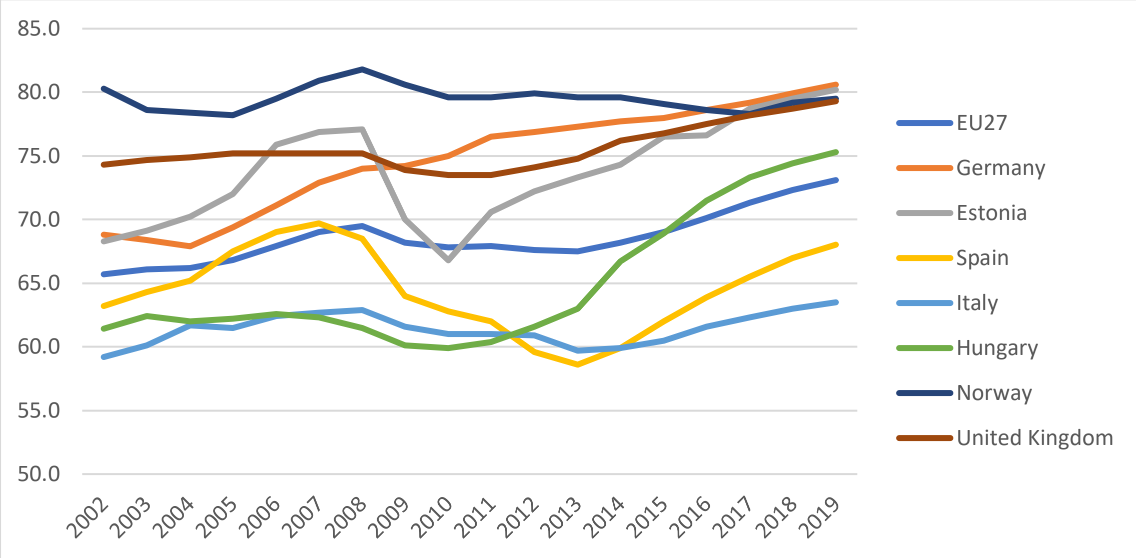



*Source: Author's elaboration on Eurostat data*

## 2.1. Work, poverty & inequality

In several EUROSHIP countries, major gains in the field of poverty and social exclusion have been achieved through substantial *increases in employment rates* since 2005 in spite of the global economic crisis (Figure 2); such increase was above 10 percentage points (p.p.) in Hungary and Germany, 8 p.p. in Estonia, 4 p.p. in the UK, only 1 p.p. in Norway that nevertheless already presented a very high total employment rate. At the end of the decade, all of these countries had above EU-average employment rates, around 80% in the age bracket 20-64 years; only Hungary presented slightly lower figures (75.3%). These results were made possible by "work first" and activation strategies which were more or less explicitly launched in various countries (Grages et al. 2021; Halvorsen et al. 2021; Hunt et al. 2021; Verdin and O'Reilly 2021)

**Figure 2. Employment rates, 20-64 years (%)**




*Source: Author's elaboration on Eurostat data*

However, not all that glitters is gold. The other side of the coin in the relationship between work and poverty/social exclusion is that the strategy of pushing people into employment, especially low skilled individuals in expanding service sectors, at a time of (more or less radical) flexibilization of labour markets, has resulted in substantial *dualization* (Emmenegger et al. 2012) and, ultimately, increased income *inequality* and higher "*in work poverty*" levels (IWP)[2]. As presented in Table 3 below, since 2005 IWP rates have substantially increased in all selected countries, but Hungary.

The situation is even more critical in the two Southern European countries, where employment rates had either not fully recovered in 2019 as compared to 2008 – 68.0% vs 68.5% in Spain, or barely recovered – 63.5% vs 62.9% in Italy where the rate is however 10 p.p. below the EU27 average. Also, oscillations are more visible in Spain, where employment growth contributed to contain poverty rates at times of sustained economic growth, whereas the negative effects of low-skilled employment in the large service sectors dramatically materialized when the economic crisis broke out in 2008. Differently, in Italy, as result of economic stagnation - the average growth in GDP was actually negative for the period 2000-2020 - employment rates have remained fairly stable in the last fifteen years.

In these countries, not only did the spread of atypical employment contribute to increased IWP rates, but also AROPE figures remained high, well above the EU27 average, pointing at a critical "Southern European syndrome" in the interplay between work and poverty.

[2] Cf. Peña-Casas et al. (2019) for a broad comparative overview of In-work poverty in Europe.

**Table 3. IWP - In-work at-risk-of-poverty rate, 18-64 years (%)**

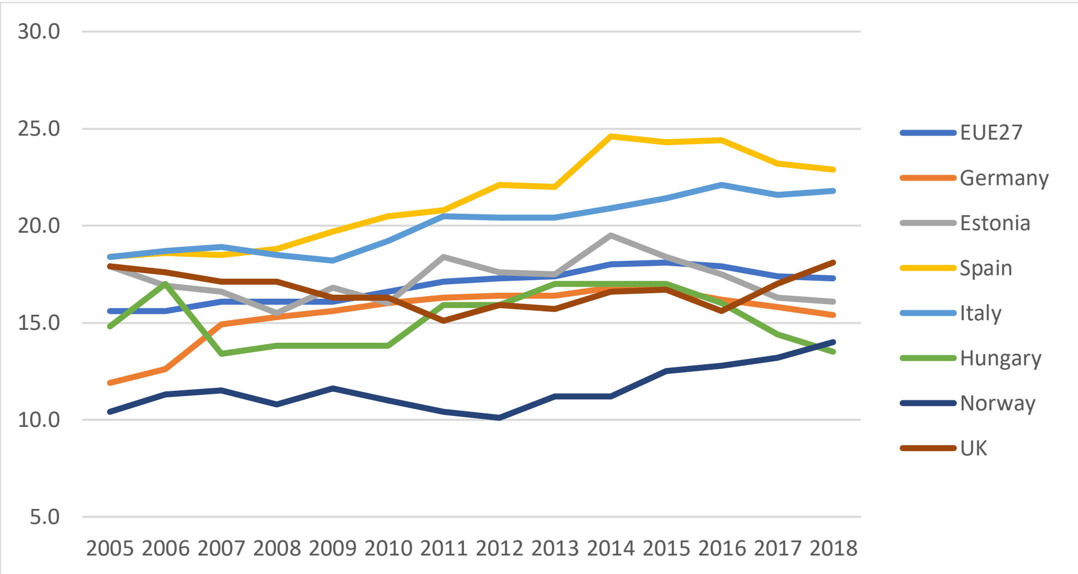
| | 2005 | 2007 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EU** | **:** | : | 8.4 | 8.3 | 8.8 | 8.9 | 9.0 | 9.5 | 9.5 | 9.6 | 9.4 | 9.4 | **9.2** |
| **Germany** | **4.8** | 7.4 | 6.8 | 7.1 | 7.7 | 7.7 | 8.6 | 9.9 | 9.6 | 9.5 | 9.0 | 9.0 | **7.9** |
| **Estonia** | **7.5** | 7.9 | 8.3 | 6.7 | 8.2 | 8.5 | 7.7 | 11.8 | 10.3 | 9.9 | 9.7 | 9.5 | **10.3** |
| **Spain** | **10.6** | 10.2 | 11.7 | 10.8 | 10.9 | 10.8 | 10.6 | 12.6 | 13.2 | 13.1 | 13.1 | 13.0 | **12.8** |
| **Italy** | **8.8** | 9.4 | 10.2 | 9.7 | 11.1 | 11.1 | 11.2 | 11.1 | 11.6 | 11.8 | 12.3 | 12.3 | **11.8** |
| **Hungary** | **8.8** | 5.8 | 6.2 | 5.4 | 6.2 | 5.7 | 7.0 | 6.7 | 9.3 | 9.7 | 10.2 | 8.5 | **8.5** |
| **Norway** | **4.5** | 5.9 | 5.6 | 5.2 | 5.5 | 5.1 | 5.8 | 5.2 | 5.7 | 5.9 | 6.0 | 6.1 | **6.4** |
| **UK** | **8.1** | 7.9 | 6.3 | 6.7 | 7.8 | 8.7 | 8.2 | 8.8 | 8.2 | 8.6 | 9.0 | 10.4 | **:** |

*Source: Author's elaboration on Eurostat data*

On a similar note, both AROPE and "anchored at risk of poverty" rates[3] (Figure 3; Tables 4 and 5)[4] provide evidence of growing relative poverty and income inequality in most selected countries in the last fifteen years - the only key exceptions being the two CEE (Central and Eastern European) countries Hungary and Estonia.

Moreover, as shown by Verdin and O'Reilly (2021), in the case of UK, the growth in income inequality is even more visible in the long run with substantial increases since the mid-1970s.

**Figure 3. AROP - At risk of poverty rate, at 60% of median equivalised income after social transfers, less than 65 years (%)**




*Source: Author's elaboration on Eurostat data*

[3] The "Anchored at risk of poverty" rates are especially useful to analyse developments in countries severely affected by the Great Recession, such as Italy, Spain and the UK.

[4] On the usefulness of this indicator see Natili et al. (2019).

**Table 4. AROP - At risk of poverty rate, at 60% of median equivalised income after social transfers, less than 65 years (%)**

| | 2005 | 2007 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EUE27** | **15.6** | 16.1 | 16.1 | 16.6 | 17.1 | 17.3 | 17.4 | 18.0 | 18.1 | 17.9 | 17.4 | 17.3 | **16.9** |
| **Germany** | **11.9** | 14.9 | 15.6 | 16.0 | 16.3 | 16.4 | 16.4 | 16.8 | 16.7 | 16.2 | 15.8 | 15.4 | **14.0** |
| **Estonia** | **17.9** | 16.6 | 16.8 | 16.0 | 18.4 | 17.6 | 17.5 | 19.5 | 18.4 | 17.5 | 16.3 | 16.1 | **16.4** |
| **Spain** | **18.4** | 18.5 | 19.7 | 20.5 | 20.8 | 22.1 | 22.0 | 24.6 | 24.3 | 24.4 | 23.2 | 22.9 | **22.1** |
| **Italy** | **18.4** | 18.9 | 18.2 | 19.2 | 20.5 | 20.4 | 20.4 | 20.9 | 21.4 | 22.1 | 21.6 | 21.8 | **21.2** |
| **Hungary** | **14.8** | 13.4 | 13.8 | 13.8 | 15.9 | 15.9 | 17.0 | 17.0 | 17.0 | 16.0 | 14.4 | 13.5 | **12.6** |
| **Norway** | **10.4** | 11.5 | 11.6 | 11.0 | 10.4 | 10.1 | 11.2 | 11.2 | 12.5 | 12.8 | 13.2 | 14.0 | **13.6** |
| **UK** | **17.9** | 17.1 | 16.3 | 16.3 | 15.1 | 15.9 | 15.7 | 16.6 | 16.7 | 15.6 | 17.0 | 18.1 | **:** |

*Source: Author's elaboration on Eurostat data*

**Table 5. At-risk-of-poverty rate anchored at a fixed moment in time (2008), 18-64 years, (%)**

| | 2008 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EU27** | **14.8** | 15.1 | 16.4 | 17.4 | 18.5 | 19.0 | 18.2 | 17.2 | 15.7 | 15.1 | **14.4** |
| **Germany** | **15.4** | 15.8 | 16.5 | 16.6 | 17.6 | 18.3 | 16.8 | 15.1 | 13.6 | 13.0 | **11.6** |
| **Estonia** | **15.0** | 18.3 | 23.0 | 22.2 | 18.7 | 19.2 | 15.0 | 12.2 | 9.7 | 8.4 | **7.2** |
| **Spain** | **16.5** | 18.0 | 21.5 | 24.7 | 27.3 | 30.5 | 29.5 | 29.0 | 25.9 | 24.9 | **23.8** |
| **Italy** | **16.8** | 18.3 | 20.7 | 22.0 | 24.5 | 24.7 | 25.2 | 25.3 | 23.8 | 23.9 | **23.0** |
| **Hungary** | **12.0** | 13.2 | 15.0 | 14.5 | 18.8 | 17.8 | 16.0 | 13.1 | 10.3 | 9.8 | **9.4** |
| **Norway** | **11.3** | 9.4 | 9.3 | 8.2 | 7.9 | 7.9 | 8.4 | 8.5 | 9.4 | 9.9 | **9.5** |
| **UK** | **14.7** | 18.4 | 18.6 | 19.0 | 19.1 | 18.6 | 17.6 | 16.0 | 15.5 | 16.0 | **:** |

*Source: Author's elaboration on Eurostat data*

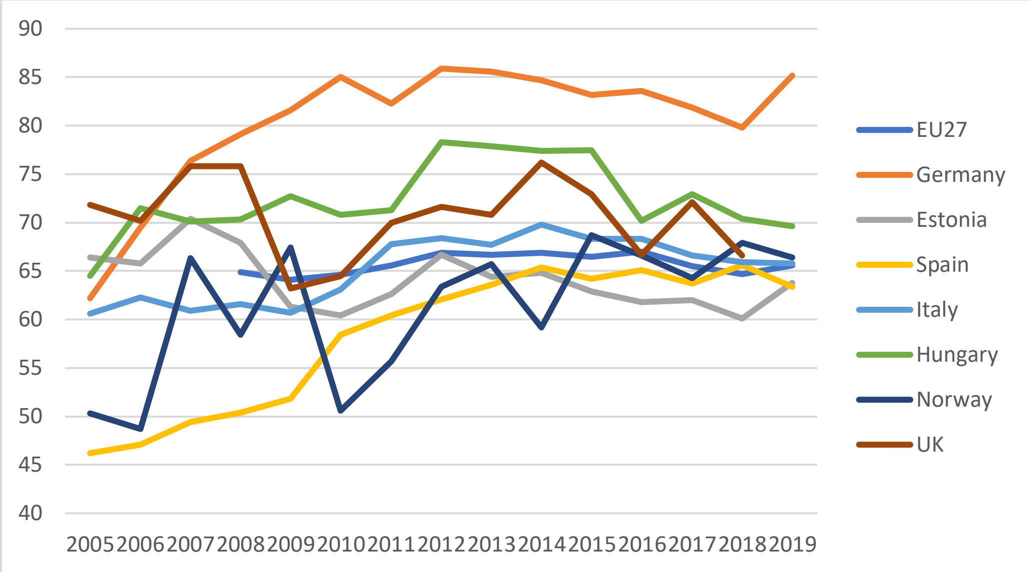
To conclude, as widely acknowledged but often forgotten in policy and political debate, under post-industrial, as well as flexible labour market conditions, employment is no longer sufficient in protecting individuals and households from poverty (Cantillon and Vandenbroucke, 2013; Saraceno 2015). On one hand, this raises the issue of fair and adequate wages, calling into question pre-distributive measures; on the other, it points at how social protection and especially minimum income schemes should be designed in order to both effectively avoid poverty traps and ensure access to decent income when in employment.

## 2.2. Welfare, poverty & material deprivation

Although social protection schemes may also play a role in supporting income of employed population, "long lines of the unemployed caused by economic crises are the core business of the welfare state" (Castles 2010: 96), and especially the core business of welfare state programs for working age individuals. In this respect, the following considerations seem key:

First, as shown in Figures 4 and 5 below, the protective capacity of social protection programs, including both unemployment benefits and minimum income schemes, is limited. In all selected countries, the AROPE rate within the *unemployed* population is above 60% - with dramatic peaks at 85% in Germany and 70% in Hungary. Severe material deprivation rates (SMD) are also sensibly higher among the unemployed, ranging between 11.9% in Norway and peaking at 44.9% in Hungary, with UK, IT, and DE above 20%, than in the population as whole – where SMD rates (Table 6) have declined in the last decade and now vary between 2.2% in Norway and 8.4% in Hungary (2019).

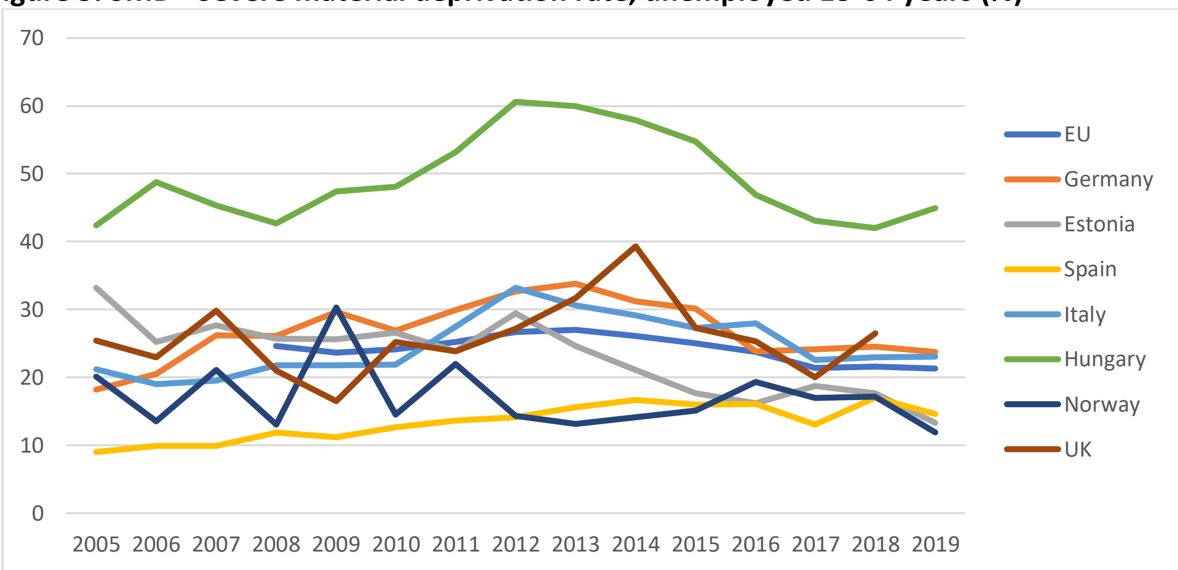
**Figure 4. AROPE – at risk of poverty or social exclusion rate, unemployed 18-64 years (%)**




*Source: Author's elaboration on Eurostat data*

Second, the protective capacity of social protection programs appears to also be limited in countries less affected by poverty, social exclusion, and severe material deprivation in a comparative perspective, such as in Germany, Hungary, and the UK – all with comparatively high AROPE and SMD rates among the unemployed - as well as Norway, at least with regard to AROPE only.

**Figure 5. SMD - Severe material deprivation rate, unemployed 18-64 years (%)**




*Source: Author's elaboration on Eurostat data*

**Table 6. SMD - Severe material deprivation rate, 18-64 years (%)**

| | 2005 | 2007 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EU** | | | 8.1 | 8.4 | 8.8 | 9.9 | 9.9 | 9.1 | 8.3 | 7.7 | 6.8 | 6.1 | **5.7** |
| **Germany** | 4.9 | 5.7 | 5.5 | 5.1 | 5.6 | 5.1 | 5.9 | 5.5 | 4.9 | 4.1 | 4.1 | 3.8 | **3.2** |
| **Estonia** | 11.7 | 5.5 | 6.0 | 8.9 | 9.3 | 10.0 | 8.0 | 6.3 | 4.4 | 4.7 | 3.8 | 3.7 | **3.2** |
| **Spain** | 3.6 | 3.3 | 4.4 | 4.9 | 4.8 | 6.0 | 6.5 | 7.7 | 6.8 | 6.4 | 5.5 | 5.6 | **5.0** |
| **Italy** | 6.7 | 7.0 | 7.4 | 7.4 | 10.9 | 14.3 | 12.7 | 11.9 | 12.1 | 12.3 | 10.5 | 9.1 | **7.8** |
| **Hungary** | 22.2 | 18.8 | 19.9 | 21.1 | 23.0 | 25.8 | 27.8 | 23.6 | 19.0 | 16.4 | 14.5 | 10.0 | **8.4** |
| **Norway** | 3.4 | 2.7 | 2.5 | 2.3 | 2.6 | 2.0 | 2.1 | 1.5 | 1.8 | 2.1 | 2.6 | 2.4 | **2.2** |
| **UK** | 5.2 | 4.0 | 3.6 | 5.0 | 5.4 | 8.0 | 8.7 | 7.9 | 6.2 | 5.6 | 4.4 | 4.8 | |

*Source: Author's elaboration on Eurostat data*

**Table7. Unemployment rate (%), 15-74 years**

| | 2001 | 2003 | 2005 | 2007 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Germany** | 8.0 | 9.9 | 11.2 | 8.7 | 7.8 | 7.0 | 5.8 | 5.4 | 5.2 | 5.0 | 4.6 | 4.1 | 3.8 | 3.4 | **3.2** |
| **Estonia** | 13.0 | 10.3 | 8.0 | 4.6 | 13.5 | 16.7 | 12.3 | 10.0 | 8.6 | 7.4 | 6.2 | 6.8 | 5.8 | 5.4 | **4.4** |
| **Spain** | 10.6 | 11.5 | 9.2 | 8.2 | 17.9 | 19.9 | 21.4 | 24.8 | 26.1 | 24.5 | 22.1 | 19.6 | 17.2 | 15.3 | **14.1** |
| **Italy** | 9.6 | 8.7 | 7.7 | 6.1 | 7.8 | 8.4 | 8.4 | 10.7 | 12.2 | 12.7 | 11.9 | 11.7 | 11.2 | 10.6 | **10.0** |
| **Hungary** | 5.7 | 5.9 | 7.2 | 7.4 | 10.0 | 11.2 | 11.0 | 11.0 | 10.2 | 7.7 | 6.8 | 5.1 | 4.2 | 3.7 | **3.4** |
| **Norway** | 3.5 | 4.0 | 4.4 | 2.5 | 3.1 | 3.5 | 3.2 | 3.1 | 3.4 | 3.5 | 4.3 | 4.7 | 4.2 | 3.8 | **3.7** |
| **UK** | 5.0 | 5.0 | 4.8 | 5.3 | 7.6 | 7.8 | 8.1 | 7.9 | 7.5 | 6.1 | 5.3 | 4.8 | 4.3 | 4.0 | **3.8** |

*Source: Author's elaboration on Eurostat data*

Third, although the high figures for countries such as Germany, Hungary, the UK, and Norway must be contextualized in light of very low unemployment rates – with it being below 4% in all of these cases (Table 7) - they are nonetheless important since they point at a perilous polarization of (income and) living conditions in European societies.

## 3. Minimum income schemes, in context: a comparative overview

Against the backdrop of outcome indicators presented in the previous section, we now turn to the main social assistance measures aimed to fight poverty and social exclusion in the seven selected countries. Whereas the focus is on Minimum income schemes (MIS) - intended as means-tested monetary transfers targeted to working age individuals with the aim to reduce poverty and social exclusion, it is also important to put these measures "in context" in two main aspects.

First, presenting some key indicators of MIS – concerning coverage, expenditure, and benefit levels in order to provide an at-a-glance comparative overview of MIS in European (and OECD) countries. This will be done in Section 3.1., followed by the illustration of the main institutional features of MIS in the seven EUROSHIP countries along the following analytical dimension: i) role of MIS within the overall architecture aimed to fight poverty and unemployment; ii) eligibility conditions (including means-testing, age, and residency requirement); iii) benefit amount and duration; iv) coverage; v) expenditure; vi) activation measures and conditionality mechanisms.

Second, in Section 3.2, national MIS will be put into context by illustrating, on one hand, the broader policy framework of unemployment benefits (UB) and other social assistance programs when relevant; on the other hand, the policy trajectory of MIS in the last two decades will also be outlined.

## 3.1. MIS: main dimensions and cross-country variations

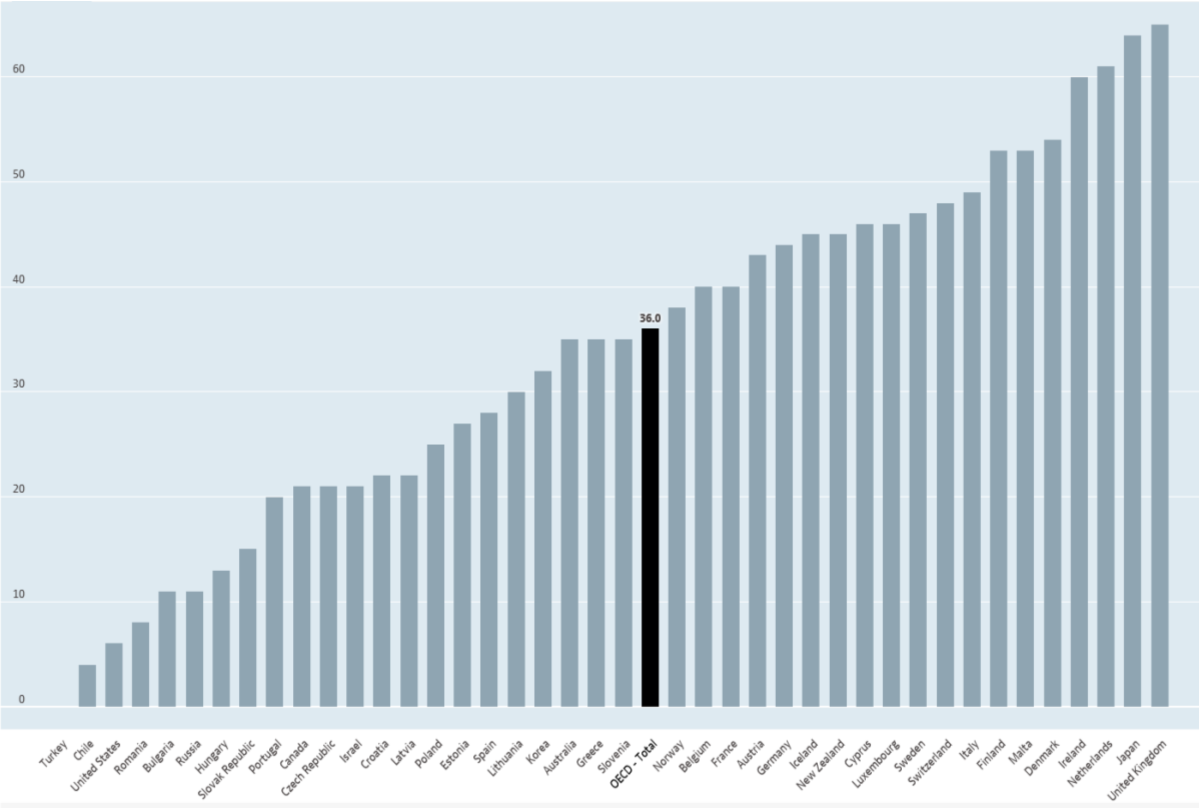
As outlined in Table 8, as well as in Figures 6 and 7 below, from a policy perspective, the sample of countries included in the EUROSHIP project offers ample variation in terms of MIS *output*, both along the coverage/expenditure dimension and concerning benefit levels.
Two countries, i.e. Germany and Italy, rank among those with medium/strong minimum income protection across European countries; Norway and the UK are in the middle of the scale, whereas Spain, Estonia, and especially Hungary are among the countries with more limited minimum income protection.

**Table 8. MIS coverage and expenditure in comparative perspective**

| Country | Coverage, % of the population | Total expenditure (% Gdp) |
|---|---|---|
| **Germany** | **7.38%** | **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** | **5,10%** | **0.43%** |
| Finland | 7.31% | 0.35% |
| Belgium | - | 0.30% |
| Sweden | 4.26% | 0.25% |
| Austria | 3.30% | 0.24% |
| **United Kingdom** | **2%** | **0.24%** |
| Lithuania | 3.79% | 0.21% |
| **Norway** | **2.4%** | **0.19%** |
| Czech Republic | 3.41% | 0.16% |
| Portugal | 2.85% | 0.16% |
| Croatia | 5.20% | 0.15% |
| **Spain** | **1.70%** | **0.13%** |
| **Estonia** | **2.00%** | **0.1%** |
| Bulgaria | 0.89% | 0.06% |
| Latvia | 1.72% | 0.03% |
| **Hungary** | **-** | **0.06%** |

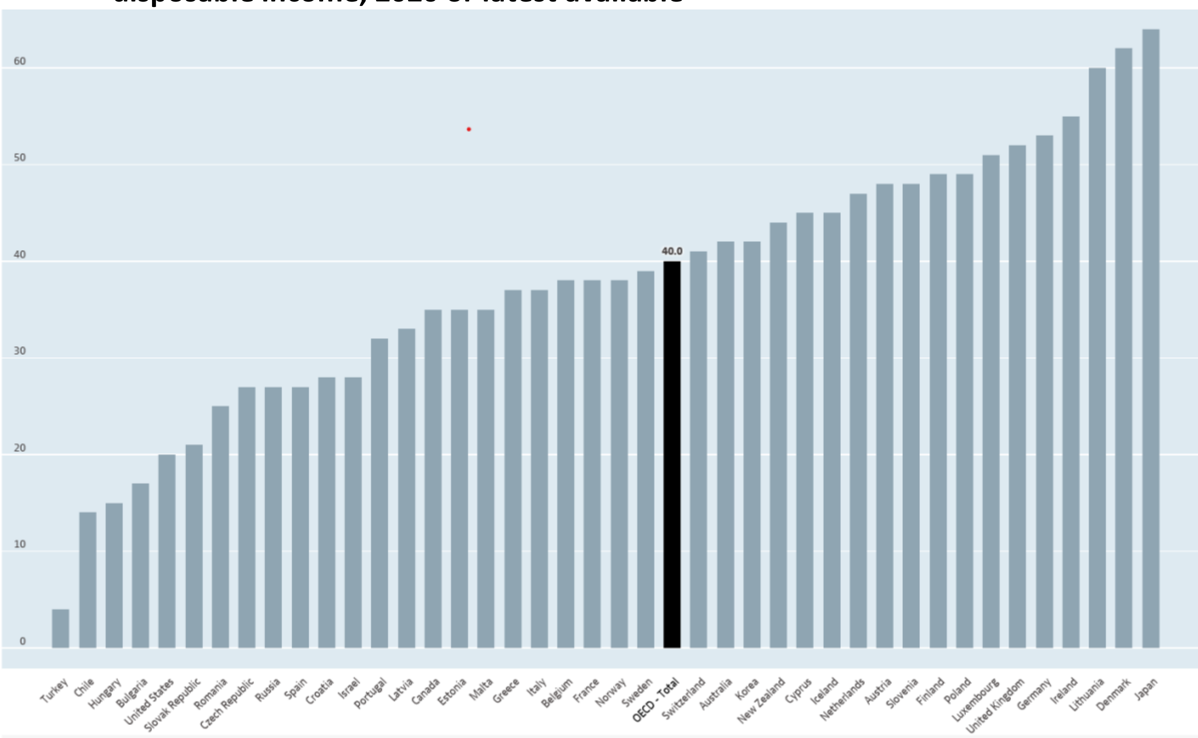
*Source: Author's elaboration based on Natili (2019a)*

**Figure 6. Adequacy of minimum income benefits single, no child, % of median disposable income, 2020 or latest available**




*Source: OECD online*

**Figure 7. Adequacy of minimum income benefits: couple, 2 children, % of median disposable income, 2020 or latest available**




*Source: OECD online*

*Norway*

As widely acknowledged, together with Switzerland and Luxembourg, Norway stands among the big welfare spenders in Europe with per-capita expenditure at 12,071 PPS (Purchasing Power Standards) in 2018 vs 8,709 in the EU27. Against such backdrop, means-tested "social assistance has remained a residual "last-resort" safety net for the poor" (Halvorsen et al. 2021), including the Minimum income guarantee (MIS), the housing allowance and the lone parents allowance (the latter implying mandatory employment when the child turns 1 year).

The governance framework for the Norwegian MIS is structured on two main levels: the national level, which defines the overall regulations and benefit levels, and the (important) municipal level, which is in charge of management, financing as well as fine-tuning of benefit levels according to local conditions.

Residence in Norway is required in order to be eligible for MIS. Also, claimants need to pass a means-test that includes assets and property, in addition to income. The standard benefit level for a single individual amounts to monthly NOK 6,150 (2019) – ca. 607 euros/month, which is relatively low for Norwegian standards, corresponding to only 45.5% of the relative poverty threshold (i.e. 1,335 euros per month). For either married of cohabiting couples, the benefit is NOK 10,450 (€959) whereas children supplements vary in accordance with age – i.e. 0-5 years: NOK 2,450 (€225), 6-10 years: NOK 3,150 (€289), 11-17 years: NOK 4,100 (€376) (Missoc online). These figures are around (slightly above for singles, slightly below for couples with 2 children) the OECD average (see Figures 6 and 7).

Whereas benefit may be paid also to employed individuals, incentives to earn additional income are low since the latter is subject to standard tax rates or, in other words, no negative income tax is in place.

Coverage (2.4% of the population) and especially expenditure (0,19% of Gdp) are relatively low in comparative perspective. In 2019, there were 129,894 beneficiaries of means-tested social assistance, broken down as follows: 7,781 employed full time; 11,147 employed part-time; 48,930 unemployed; 8,020 in education; 36,269 not seeking employment; 8,686 covered by the "Introduction programme" and 3,349 by the "Qualification programme" (see section 4 for the latter two schemes).

Conditionality mechanisms have been strengthened in recent years: as reported by Halvorsen et al. (2021) "since 1991, it has been possible for municipalities to make the receipt of full social assistance benefits conditional on participation in training or work activities. In 2017, the conservative government imposed participation in active labour market policy measures as a mandatory requirement for receiving social assistance, unless grave personal circumstances applied"

*Estonia*

On the other end of the spectrum, Estonia ranks among the European countries with the lowest per capita social protection expenditure: 4,162 pps vs 8,709 pps in the EU27 in 2018. Similar to Norway, however, 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 policy debate on poverty. It is assumed that poverty should be first-hand alleviated through other channels like for families via child policies for retirees via pension benefits, for unemployed via unemployment benefits. The policy debate is mainly around the unemployment benefits regulations. The SB enters to policy debate always with linkage with other benefits."

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

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 the municipalities.

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

As shownin Figures 6 and 7 above, also the benefit level is low, especially for single member households - €150/month in 2021, as well as 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*).

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 conjunctures - 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, and coverage is modest, around 2% of the total population.

Same as 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 any more. As a result, the household would receive both the SB and salary for the period of six months" (Hunt et al. 2021: 26).

*Hungary*

The institutional architecture of social assistance "income compensation" in Hungary is based on two main programs, 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 replacement subsidy," is ensured through a means-test which takes into account both income and property.

Starting from the age of 18 to retirement, all legal residents have a subjective right to the 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).

As outlined in figures 6 and 7 above, the level of the minimum income benefit is extremely low in comparative perspective and it is a fixed amount: 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). This amount corresponds to 20% of the AROP threshold (€3,877/year in 2020).
Duration is unlimited provided persistence of need.

No recent data are available, according to national sources, regarding coverage and take-up rate. Expenditure is however extremely low, corresponding to 0.06% of Gdp (Albert et al. 2021).

Conditionality is very strict as well as 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.”

*Spain*

Among the countries with *residual* and not generous MIS - as argued by Natili (2019a) and illustrated in Table 8 and Figures 6 and 7 above – Spain represents an interesting case in light of the peculiar governance structure in this field, as a result of programme stratification in the last three decades.

Actually, until 2020, Spain presented an “uncoordinated, decentralized model” of minimum income protection (Natili 2018; Ibanez et a. 2021), with established MIS in all 17 *Comunidades Autónomas*, i.e. the Spanish regions. Such a model has led, in the last three decades, to major territorial differences in scope, coverage, generosity, and expenditure, as well as effectiveness of the various regional MIS (Natili 2018; Ibanez et al. 2021).

In all regions, MIS are means-tested social allowances for working age individuals. However, the minimum age to be entitled to these benefits vary: “from 23 years old in La Rioja or in the Basque Country; 25 years old in Galicia or Extremadura; 26 years old in Melilla” (Ibanez et al. 2021: 8), same as benefit duration, which ranges between 12 months and unlimited.

Regional MIS (RMIS) always combine a monetary transfer for poor households with “individual insertion programs (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). In more details, sanctions related to conditionality rules are not compulsorily applied in all regions.

Against the backdrop of such decentralized policy framework, however, 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[5] called *Ingreso Mínimo Vital*[6] (IMV). IMV is conceptualized 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 program means-test includes income, asset, and property but more importantly, IMV is fully compatible with RMIS.

The minimum age to be entitled to IMV is 23 years, combined with a 1-year minimum residence requirement in the country.

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 euros, 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 euros: supplements are also provided for single parents (+22%), and +30% for each additional household members up to a maximum increase of 220%.

Introduced in May 2020, IMV is in its early implementation phase, which is likely to create hurdles mostly due to envisaged multilevel coordination framework including the central state, *Comunidades Autónomas* and municipalities as well.

The benefit payment will be conditional on activation programs 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".

Despite major expansion of regional MIS, especially during the Great Recession (between 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.

*Italy*

Since April 2019, the Citizenship Income (*Reddito di Cittadinanza, RdC*[7]) is being implemented is Italy as a national MIS. Although the name recalls a universal unconditional basic income, the Italian Citizenship Income is a means-tested cash benefit targeted to poor households conditional on participation to 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 it has longer duration (for a comparison, see Raitano et al. 2018; Jessoula et al. 2019). However, the Citizenship Income is characterized by stricter conditionality rules for beneficiaries.

[5] As nicely illustrated by Natili (2019b), the establishment of a national MIS in Spain had been ruled out in the late 1980s in the negotiation process between the central gogvernment, trade unions and Spanish regions.

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

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

To be eligible to 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 euros. Moreover, housing wealth (excluding primary residence) cannot exceed 30,000 euros and, for a single-member household, financial wealth cannot exceed euros 6,000 - this limit is raised by euros 2,000 for any other household member with a maximum 10,000 euros (further increased by euros 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 Italy. In addition, non-EU citizens have to provide official documents certified by the origin country about their housing and financial wealth.

The benefit for a single-member household tops up annual income to euros 6,000 – i.e. 58% of the relative poverty threshold (10,299 euros/year in 2019). This threshold 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 the 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 euros/year maximum, while the total maximum amount – received by a household composed of more than 2 adults and 3 minors – is euros 12,600.

Moreover, the Citizenship Income provides an additional 280 euros to top-up the monthly benefit in case of households living in rent – thus bringing the benefit amount to ca. 90% of the relative poverty threshold - whereas a 150 euros top-up is paid to beneficiaries who pay a mortgage (the amount of these extra benefits is independent on household size). The Citizenship Income is paid for 18 months, but it can be renewed after a 1-month suspension[8].

The budgetary resources allocated to the "Fund for the Citizenship Income" amount to 7.0 billion euros in 2019, 6.3 billion euros for the monetary component, and the rest for strengthening ALMPs, increasing to 8.5 billion euros (8.0 billion for cash transfers) from 2021. In 2020, 7.2 billion euros 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 total population.

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 when the monthly wage is over 850 euros; the first job offer is considered adequate when the workplace is no more than 100 km far 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 independently on distance from residence); iii) be available to participate to (at most) 8 weekly hours to 'socially useful activities' identified

[8] 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).

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 definitely too early to assess if, and to what extent, conditionality rules are strictly enforced and/or activation services are working effectively.

*Germany*

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 in Germany.

UBII-SGBII is actually targeted at working age people (between 15 and 65/67[9] years old), providing ad hoc cash benefits to legal residents/individuals who pass a strict means-test – the latter taking into consideration assets (with some limitations, e.g. cars, 10.500 euros per adult, etc..) 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 to work at least 3 hours per day, including persons living with the claimant in a joint household ("*Bedarfsgemeinschaft*").
The benefit amount is set at the federal level, and it varies in accordance with six different levels of so called "standard needs": the maximum for single and single parents is 432 euros/month; partners in a couple are entitled to 389 euros/month each; 345 euros/month are provided for individuals younger than 25, whereas the allowance for each child ranges between 250 and 328 euros/month. For a single adult beneficiary, this amount corresponds to 37% of the relative poverty threshold, a level which is often criticized by civil society organizations (CSOs) for being too low (Grages et al. 2021).
Since, as a supplement to minimum income benefits, beneficiaries receive full coverage of housing costs, this 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. Benefit duration is unlimited, provided persistence of condition of need.

Despite criticism related to benefit level, both expenditure and coverage of UBII-SGBII are high in comparative terms (Table 8): resources allocated by the Federal government correspond to 1.3% of GDP, while coverage was at 6.7% of the population in 2019.

According to Grages et al. (2021: 9) "In 2019, 5.531.318 persons were entitled to UB II, [...] Most of those entitled to UB II were capable to work (3.894.008), 1.017.771 were employed and 1.433.640 unemployed, 708.203 were under 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). 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

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

the German citizenship, 2.092.392 not." Importantly, non-take up estimated between 33% and 40% of potential beneficiaries.

Conditionality and especially activation requirements are rather strong. However, the latter are not only aimed 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[10]. 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 were introduced in 2011 that have been slightly extended since then."[11]

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.

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[12].

*United Kingdom*

Compared to the other national cases analyzed in this report, the UK stands out in two main aspects. First, it is the only country presenting a Liberal welfare regime, typically attributing a major role to means-tested social assistance benefits within the overall welfare state architecture (Clegg 2014); second, it thoroughly integrated several social protection benefits into a single measure, thus distancing from the 2 or 3 tiered structure of unemployment protection in European countries (Clasen and Clegg 2011). Accordingly, Natili (2019a) argues that, in such context, minimum income schemes play a *central* role in protecting against the risk of unemployment – and poverty *ça va sans dire*.

[10] "Claimants of UB II 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 target short-term unemployed. Persons who wish to become self-employed could receive €5,000 for necessary equipment. Jobcentres 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"). Jobcentres 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)

[11] "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)

[12] 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.

Introduced in 2013, the Universal Credit actually integrated "six core social policies into one: Job Seekers Allowance (JSA), child tax credit, housing benefit, income support, income related Employment and Support Allowance (ESA) and working tax credit" (Verdin and O'Reilly 2021).

It is a means-tested program, currently covering a limited share of the UK's population, 2% in 2020, as well as being relatively cheap, since costs are just below 0.25% of GDP. Benefit amounts are also low, as shown in Table 9, especially when considering that the poverty threshold for a single individual was 11,394 pounds/year in 2018.

As reported by Verdin and O'Reilly (2021: 21), means testing "takes account income, earnings and capital in the form of cash, savings, shares, property (this includes your own home for the purposes of social care assessment), where assets need to be low enough to qualify."

Recipients of the Universal Credit are subject to strict welfare conditionality implying a 35-hour job search requirement which is rigorously implemented, in addition to other related sanctions.

**Table 9. Universal credit, benefit amount 2020/21**

| | Monthly standard allowance |
|---|---|
| Single, under 25 | £256.77 |
| Single, 25 or over | £323.22 |
| In a couple, both under 25 | £401.92 |
| In a couple, either of you over 25 | £507.37 |

*Source: Author's elaboration from Verdin and O'Reilly (2021)*

## 3.2. MIS policy trajectories, 1990-2019

*Norway*

As mentioned above, the Norwegian welfare state is broad and generous, and the social assistance (SA) minimum income scheme constitutes the second tier of a 2-tier system aimed to address the risks of unemployment, poverty and social exclusion - the first tier being the contributory unemployment insurance (UI). As argued by Halvorsen et al. (2021), when contributory social insurance schemes expanded, MIS became a residual, "last-resort" safety net for the poor.

However, the reduction of contributory unemployment benefit level and duration, along with stricter eligibility criteria since the 1990s, prompted concerns about possible increased burden on SA.

In the last three decades, the main reforms in the latter field were mostly geared towards *increased activation* to avoid benefit dependency, and a modest increase of benefits.

On the first front, however, government of different colours pursued activation in different ways. In 1991, a first provision was introduced, allowing municipalities to implement conditionality mechanisms linked to active labour market measures. No obligation was however introduced.

Subsequently, in order to address welfare dependency, a left-wing government in 2007 introduced a more generous allowance linked to a more "active" parallel scheme called "Qualification Program" (QP). The latter "targets persons whose work ability or the ability to obtain an independent income from paid work (for instance immigrant women with little or no labour market experience), is 'considerably reduced'. The beneficiary should have a potential for entering the labour market after completion of the programme. It is a one-year full-time programme, with the possibility of extension. Access to the programme can be brought to a halt if the participant is repeatedly absent for no legitimate reasons (Norwegian Government, 2007). For most people in the target group, who would otherwise receive social assistance benefit, the allowance represents an economic improvement" (Halvorsen et al. 2021).

On the second front, the same leftist government raised MIS benefit levels twice, in 2007 and in 2009.

In order to better address the specific needs for improved labour market qualifications of newly arrived refugees - and their reunited family members – another parallel scheme was established, the Introductory Programme (*introduksjonsprogrammet*), in combination with a so called "Introduction benefit" (*introduksjonsstønad*), paid by municipalities. Same as the QP, also the Introduction benefit is more generous than ordinary MIS.

By contrast, a more robust step toward stronger conditionality mechanisms was made by the conservative government in 2017, with the introduction of *mandatory* activation through active labour market programs for SA beneficiaries below 30 years of age.

Against such backdrop, in the period 2007-19, expenditure for MIS increased in line with the increased number of recipients, which reached 130,000 individuals, or 2.4% of the population in 2019. Such increase of beneficiaries is mostly due to the growing share of immigrants (representing ca. 50% of beneficiaries), as well as an increase of young men and couples with children in needy conditions.

The policy trajectory in the last two decades can thus be described in terms of and *limited expansion* – via the introduction of the two narrow additional schemes and modest benefit increases – and increased *activation* – through different strategies and tools.

*Estonia*

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 3-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. The Unemployment allowance (UA) constitutes the second tier, with a maximum duration of 270 days. The Subsistence Benefits represent the third, residual and not generous tier, currently conceptualized 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 one hand, the result of both declining poverty rates and expanding employment in Estonia (with the exception of the post-2008 global shock period); on the other hand, the consequence of political choices that prioritized other policy sectors such as 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 individual. As a consequence, activation was pursued by expanding "positive incentives" by allowing individuals 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 *residualization*, 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.

*Hungary*

The Hungarian MIS is embedded in a 2-tiers policy structure aimed 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) whereas 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 shock. "After 90 days, unemployed people may apply only for the benefit for people of active age. If found capable of work, they may receive the *employment replacement subsidy*" (Albert 2021:5) which is actually the social assistance scheme (MIS) for able bodied individuals available for work. As mentioned above, 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 replacement subsidy 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 2021).

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

Finally, two other policy trajectories are detectable in the field of MIS in the last decade. On 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.

*Spain*

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 organized along a 2-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 allowed *path departure* from the traditional familialistic welfare model.

Regional MIS (RMIS) introduction started in 1989 in the Basque country, and then spread across other regions. By 1990, eleven regions had established MIS (Ibanez et al. 2021). It followed a period of further diffusion in the remaining regions and full *institutionalization* of RMIS (Natili 2019b). This occurred in a context characterized 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) and eligibility conditions were made stricter (1992 and 2020). Retrenchment of UI caused a shift of beneficiaries on the UA scheme.

Due to increased problem pressure during the Great Recession phase (2008-12), RMIS were both reinforced and expanded – although unevenly across *communidades autonomas*. Some regions reformed MIS in order to make them more inclusive and, importantly, RMIS were all recognized as subjective social rights, mostly conditional on activation programs though (Ibanez et al. 2021). Accordingly, coverage increased from 0.64% (2007) to 1.7% (2017) of 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.

Although remaining residual programs are helpful, the RMISs, in particular, became increasingly relevant in the fight against poverty and social exclusion (Aguilar-Hendrickson and Arriba 2020) in an "uncoordinated decentralized model" marked by substantial territorial differences (Natili 2019b; Ibanez et al. 2021).

Against such backdrop, the decision taken by the left-wing Spanish government in May 2020, establishing the first national MIS – *Ingreso Minimo Vital* – marks a rupture with the previous decentralized 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.

*Italy*

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 labor market/unemployment policies have traditionally been dramatically underdeveloped. In the field of social assistance, anti-poverty measures remained extremely weak, characterized by limited generosity, and low coverage and expenditure, as well. The attribution of competences in the field to the 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 schemes lacked until 2018.

Rudimentary social assistance went hand in hand with underdeveloped unemployment benefits (UB) and Active labor market policies (Almps) until the 2008 global economic shock. Such weak model of protection for individuals and workers against the risks of poverty, social exclusion and unemployment, was at least partly compensated by the protective labor market regulation until the late 1990s, 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-industrialization, emergence of service economy, change in poverty profiles) with politico-institutional novelties (EU integration process, transformation of the party system, neo-liberal turn) and policy reforms – primarily, labor market flexibilization since 1997 - prompted a gradual strengthening of both labor 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 former, the replacement of ordinary UB (currently named Naspi) passed from 8.5% in 1988 to 75% in 2015, while 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 labor 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” indeed (Jessoula and Natili 2020), featuring attempts to path departure and policy reversals in the last two decades, until the recent establishment of a national MIS in 2018 (REI, Inclusion Income) which was later replaced by a more generous MIS- the so-called Citizenship Income, in 2019.

The “Italian exceptionalism” in the field of MIS relates to the peculiar policy trajectory since the mid-1990s. In fact, Italy was the last EU-28 country introducing a last-resort safety net for working-age individuals in the form a fully-fledged minimum income scheme (MIS) in 2018; also, the long lasting absence of MIS in the Italian welfare state was due to neither political inertia (which had previously marked the post-WW2 decades) - nor institutional resilience, but rather the result of an inconsistent policy trajectory, with several *attempts of path departure* soon followed by *policy reversals* - both at the national and the regional level (Madama et al. 2014, Natili 2019b).

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 center-right government in 2004. Meanwhile, Constitutional Law 3/2001 devolved competences in the field of social assistance to regions, giving, however, 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".

Differently from the past, however, structural transformations in the labor market and family structures contributed to diminished protection against poverty in the crisis period. As illustrated above, functional pressures increased dramatically with skyrocketing poverty and social exclusion rates in the Great Recession phase 2008-14, leading to increased public attention on 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 in Italy - and introduced only minor emergency measures between 2008 and 2011. In particular, the so-called Social Card (SC, *Carta Acquisti*) was introduced: it was a pre-paid card used 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 of the SC (€40 per month), its categorical character and limited coverage, tight eligibility criteria, and the absence of activation requirements indicated the residual and passive (if not merely symbolic) nature of the programme.

Things changed after the 2013 general elections, 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), which was, however, limitedly funded; only €167 million were devoted to this measure, and it could not be considered a fully-fledged MIS especially in light and its categorical access requirements which actually represented an *unicuum* as compared to MISs in 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 latter, REI was designed as a means-tested monetary benefit conditional upon signing an "individual social contract" aimed at promoting active inclusion through individualized plans and service provision. Differently from SIA, however, REI was a *structural*, not a pilot, measure without (after July 2018) the categorical requirements that characterized 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 program peculiar in comparative perspective. Indeed, it was one of the least financed, generous and inclusive minimum income scheme 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 institutionalization* 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 to job-search activities (increased *activation and conditionality*).

*Germany*

Similar to other countries with an established MIS analysed here, Germany stands out as a case of system overhaul in the early 2000s. The Hartz reforms thoroughly restructured the welfare state architecture in the field of unemployment protection and social assistance in 2005, shifting from a 3-tier to a 2-tier system with the merge of pre-existing unemployment assistance and social assistance into a new means-tested scheme (UBII-SGBII), accompanied by a separate scheme for disabled and elderlies. The reform also reduced the generosity of unemployment insurance, introducing tighter eligibility conditions, shorter duration and stricter activation measures (Grages et al. 2021) that initially resulted in increased pressure on UBII-SGBII despite the existence of other means-tested benefits aimed at preventing people to claim social assistance benefits, among which the housing subsidy (provided at the local level), child subsidy and health/LTC subsidies.

Subsequently, 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 (see Section 2 above), both expenditure and beneficiary substantially diminished – the former passing from 1.8% to 1.3% of GDP between 2010 and 2019, the latter being reduced by 1.5 million individuals since 2007.

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 education in order to reinforce the enabling character of the latter, and, notably, *softened conditionality*. With respect to the latter, in 2019, following a ruling by the Federal Constitutional Court, conditionalities and especially sanctions were actually reduced since the Court argued that the previous 100% benefit reduction in case of non-compliance was unconstitutional, being against the basic principle of protection of minimum living standard (Grages et al. 2021)

In addition to these key changes, in 2010 and 2011, both an improved graduation of benefits for children was approved, again following a ruling by the Federal constitutional court, and means-testing conditions were softened by substantially disregarding accumulated contributions in private pension schemes.

*United Kingdom*

Similar to Germany, the UK policy trajectory in the field of means-tested minimum income schemes presents a case of system overhaul, in this case however stretching beyond the field of unemployment protection. In fact, the 2012 Welfare Reform Act integrated six different measures - Job Seekers Allowance (JSA), child tax credit, housing benefit, income support, income-related Employment and Support Allowance (ESA), and working tax credit - into the new Universal Credit.

This followed the implementation of strict austerity policies by the conservative government since 2010. Measures to incentivize work and reduce dependency were adopted including work activation measures and reduction of in-work benefits, as well as strong increase of welfare conditionality and sanctions for the UC, among which the 35-hour job search requirement implemented rigorously.

As argued by Verdin and O'Reilly (2021), whereas improving economic and social conditions since 2015 led to a sharp decrease of both unemployment related benefit claimants (-10% in the period 2015-20) and UC coverage, which passed from 3.5% (2013) to 2% (2020) of the population. Austerity measures led to reduced in-work benefits and, consequently, a significant increase of in-work poverty, as well as increased usage of food banks (especially free meals for children).

The austerity policy framework, which was initially softened in 2016 with respect to conditionality mechanisms, and then abandoned to tackle the effects of the Covid-19 pandemic, was, however, complemented by expansionary interventions in selected policy fields: primarily minimum wage, which was raised in 2016, and support for childcare – although child benefits were shifted from universal provision to means-tested measures with the introduction of the UC (Verdin and O'Reilly 2021).

*Synthetic comparative summary tables*

Drawing from the seven EUROSHIP country reports, Tables 10 and 11 below provide a synthetic comparative overview of both MIS *policy trajectories* in the seven selected countries in the period 2000-2021 and the main *institutional features* and *output* indicators of minimum income schemes as well.

With regard to policy trajectories, findings from the seven countries are reported along the three main analytical dimensions that have framed the analysis:

i) *system restructuring*: the adoption in the last two decades of reforms that have substantially restructured either MIS institutional design or the overall two/three pillars architecture to tackle unemployment and poverty;

ii) *reform direction and relevance of MIS*: the second dimension captures variation in MIS distinguishing between expansionary reforms, retrenchment, stability; it also aims at providing an assessment of the increased/reduced relevance of MIS in the fight against poverty in the last decade – i.e. increased/diminished relevance vs no change vs residualisation where both the first ad the third may be the consequence of either reforms or changed structural conditions/problem pressure;

iii) *activation and conditionality*: this dimension highlights whether a turn towards activation was detected in country analysis; also, where possible it distinguishes between "positive"

activation (less conditionality, more incentives to work, more enabling services) and "negative" activation (stricter conditionality, workfare, etc..).
The comparative findings presented below show significant variation along the three dimensions. This calls for an interpretation which is being developed in EUROSHIP WP4.

**Table 10. MIS policy trajectories 2000-2020**

| Italy | Spain | Norway | Germany | UK | Estonia | Hungary |
|---|---|---|---|---|---|---|
| System restructuring | System restructuring | - | System restructuring | System restructuring | - | System restructuring |
| Expansion<br><br>Increased relevance | Expansion<br><br>Increased relevance | Limited expansion<br><br>Stability | Stability<br><br>Diminished relevance | Limited retrenchment<br><br>Diminished relevance | Limited retrenchment<br><br>Residualization | Retrenchment<br><br>Residualization |
| Negative activation | Activation | Activation | Positive activation | Negative activation | Positive activation | Negative activation |

Source: Author's elaboration

Table 11 provides a summary of the main institutional dimensions of MIS in the seven EUROSHIP countries, particularly focusing on:
i) *output* – i.e. MIS expenditure and coverage;
ii) *eligibility conditions*, including age and residency requirements, means-testing;
iii) *benefit* amount, duration, compatibility with income for work;
iv) *activation* measures and *conditionality* mechanisms
v) *governance* structure (centralized/decentralized, two-levels, multilevel)

**Table 11. MIS institutional features and output indicators in the selected countries**

| | Norway | Estonia | Spain | Hungary | Italy | Germany | United Kingdom |
|---|---|---|---|---|---|---|---|
| | **Social assistance**<br>***økonomisk sosialhjelp*** | **Subsistence benefit**<br>***Toimetulekutoetus*** | **(Regional MIS)**<br>**IMV –**<br>***Ingreso Minimo Vitàl*** | **Employment replacement subsidy**<br>***Foglalkoztatást helyettesíto támogatás*** | **Citizenship Income**<br>***Reddito di cittadinanza*** | **UNII-SGBII**<br>***Grundsicherung für Arbeitsuchende*** | **Universal Credit** |
| **Expenditure % GDP** | 0.19%<br>Increased | 0.1%<br>Decreased | RMIS: 0.13%<br>Increased | 0.06%<br>Decreased | 0.43%<br>Increased | 1.3%<br>Decreased | 0.25% |
| **Coverage** | 2,4%<br>of population | 1.5-2% of population<br>ca. 60% SMD | RMIS:<br>Increased from 0.6% to 1.7% (2017) of population | - | 5.1%<br>of population | 6,7%<br>of population | 2%<br>of population |
| **Eligibilty**<br>***Age*** | No lower age defined in the Law,<br>de facto from 18 years | No age requirement | RMIS: vary<br>IMV: from 23 years | From 18 years | No age requirement | From 15 to 67 years | - |
| ***Residency*** | All legal residents | All legal residents | Minimum 1 year | All legal residents | Minimum 10 years | All legal residents | - |
| **Means-test** | Income, assets and property | Income<br>(asset, discretionary) | RMIS: variable<br>IMV: income, asset and property; RMIS not counted | Income and property | Income, earnings, savings, property | Income (including social transfers) and assets | Income, earnings, savings, property |
| **Benefit Duration** | Not defined* | 1 month, renewable | RMIS: 12-Unlimited | Unlimited | 18 months, renewable | Unlimited | Unlimited |
| **Benefit Amount** | Below poverty threshold<br><br>Individual assessment of needs** | Below poverty threshold<br><br>Difference between income and reference budget | Below poverty threshold<br><br>Income top-up, variable | Below poverty threshold<br><br>Fixed amount irrespective of family composition | Below poverty threshold<br><br>Income top-up, variable + housing subsidy | Below poverty threshold<br><br>6 need levels (+subsidies) | Below poverty threshold<br><br>Variable amount |
| **In work benefit** | Yes, but low incentives | Yes, with incentives | Yes | No (public jobs only) | Yes | Yes, with incentives | - |
| **Activation & conditionality** | Yes; not mandatory, discretion of municipality/local NAV office;<br>in 2017 mandatory for claimants below age 30 | Yes,<br>not mandatory | RMIS: Yes<br>variable compulsion<br><br>ALMPs and social inclusion<br><br>IMV: yes, mandatory | Yes,<br>mandatory<br>ALMPs<br><br>Include discretionary elements | Yes, mandatory<br><br>ALPMs and social inclusion | Yes, mandatory<br><br>ALPMs and social inclusion | Yes, mandatory<br><br>ALMPs |
| **Governance** | 2 levels:<br>State/municipalities | 2 levels:<br>State/municipalities | (Regional for RMIS)<br>Multilevel | 2 levels:<br>State/District | Multilevel | 2 levels:<br>State/municipalities | State |

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