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THE IMPACT OF MEANS TESTED ASSISTANCE IN SOUTHERN EUROPE

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The Impact of Means Tested Assistance in Southern Europe [1]

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Abstract

This paper aims to analyse the social assistance systems in five South European countries: France, Greece, Italy, Portugal and Spain. After reviewing the existing system of social assistance in each country, we apply a consistent methodology in order to estimate its impact on income distribution, poverty and target efficiency.

Keywords: Social Assistance, Southern Europe, Microsimulation
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THE IMPACT OF MEANS TESTED ASSISTANCE IN SOUTHERN EUROPE

1. Introduction

Welfare reform promises to be among the most contested issues of the 21st century's first decade, as is intrinsically linked with the wider question of the survival and future shape of the European social model in conditions of rapid economic and social change. While attention is rightly concentrated on pensions and other core social protection programmes, social assistance tends to be relatively neglected. Nevertheless, the same forces that drive welfare reform increase the prominence of social assistance within the welfare state as a whole.

Indeed, the foundations of the "golden age of welfare capitalism" in the post-war period can no longer be relied upon. In particular, the end of "fordism" and the rise of the "new economy" have greatly affected the labour market prerequisites of the welfare state. The generalised expectation of lifelong employment, often with the same employer, has been replaced by rising insecurity, frequent job change, spells of unemployment and the spread of precarious work. As economic change removed the labour market foundations of the "male breadwinner model", the domestic arrangements underpinning it became also less prevalent. Higher age at marriage, fewer children per couple, increased marital instability and the other manifestations of the "crisis of the family" have undermined the traditional assumption of a working husband supporting a housewife and their two or more children (Esping-Andersen, 1996; 1999).

The rise of interrupted and atypical careers on the one hand, and of single-person and single-parent households on the other, have raised crucial questions about the ability of current social protection arrangements to support incomes and to prevent a descend into poverty. As the occupational attachment of workers and family attachment of dependents required by conventional social insurance cease to be the norm, effective and well-designed social safety nets become the key to a successful strategy against poverty and social exclusion. Against this background, social assistance (most ideally suited to poverty relief among all components of the welfare state) is set to rise in prominence.

Although "the term *social assistance* does not have a fixed or universal meaning" (Gough *et al.*, 1997), social assistance benefits are distinguished by the fact that they are aimed at individuals or families *below a certain level of income or other resources*, and therefore eligibility is typically determined through *means testing*. Moreover, while special categorical conditions may apply, a contributions record is normally *not* required. Social assistance benefits are usually funded out of general taxation and are negatively related to income, i.e. higher benefits are provided to lower incomes and vice versa (Barr, 1998). In view of the distinct nature of social assistance in southern Europe, a broader definition would have to include benefits in kind and social assistance-type devices incorporated in *social insurance* schemes, e.g. in the "integration" of minimum pensions.

The issue of strengthened social safety nets has particular resonance in southern Europe. The marginal character of social assistance has long been one of the characteristics of the "southern European model of welfare" (Leibfried, 1993; Ferrera, 1996; Rhodes, 1996; Gough, 1996). However, the construction of social safety nets in southern Europe has not been delayed simply by the ignorance of policy makers or by the indifference of public opinion. Social assistance faces a unique set of constraints, most relevant of which are *the role of the family* and *the "softness" of state institutions*.

The family in southern Europe has historically functioned as an effective, albeit informal, social safety net. It can be argued that the role of the family as a social "shock absorber" has encouraged or, at least, allowed governments to pay less attention and deploy fewer resources to some policy issues than might have been the case otherwise. This is the case across a whole range of policy areas such as child care, unemployment assistance, care for the elderly and housing, as well as social assistance. Nevertheless, as the family itself comes under stress, it can hardly be relied upon to play a similar role in the future. The family provision of welfare services on the one hand, and its increasing inability to perform its former protective role on the other, raises difficult policy issues in southern Europe (Jurado Guerrero and Naldini, 1996; González *et al*., 1999).

As to the "softness" of state institutions, the problem here lies in the very nature of social assistance: the delivery of targeted benefits requires a degree of administrative capacity, crucially in terms of reliability of income assessment, that often is simply unavailable in southern Europe. Without these, targeting is haphazard and counter-productive in terms of social policy but also of welfare *politics*, since it gives rise to resentment among non-beneficiaries (Ferrera, 2001). In a context of persistent tax evasion, often connected to a very large informal economy, the design of social assistance benefits faces specifically "southern" dilemmas (Addis, 1998; Addis, 1999; Laparra and Aguilar, 1996). As a result of that, a straightforward transfer of know how from the highly developed systems of social assistance in northern Europe would be inadequate to provide relevant answers to such questions. Therefore, policy makers in southern Europe are left with no other choice but to search for original solutions.

Despite these structural difficulties, a renewed emphasis on selectivity and targeting has in recent years led to often spectacular policy innovations in the field of social assistance in southern Europe. This is typified by the spread of minimum income programmes, the absence of which was until recently considered to be a defining feature of the "southern model" of social protection (Gough, 1996).

The success of the *Revenue Minimum d'Insertion* in France, following its introduction in 1988, set in motion developments that led to the adoption of similar schemes throughout southern Europe (Guibentif and Bouget, 1997). Variations of RMI were adopted in Basque Country (*Ingreso Mínimo de Inserción*) in 1988, in Catalonia (*Renda Mínima d'Inserció*) in 1990 and in other Spanish autonomous communities (Aguilar *et al.*, 1995; Ayala, 2000); in Portugal, where *Rendimento Mínimo Garantido* was introduced as a pilot scheme in 1996 and extended to the rest of the country a year later (Pedroso, 1998); and, finally, in Italy, where *Reddito Minimo d'Inserimento* has been experimentally implemented since 1998 (Alti and Maino, 2001).

The schemes differ with each other in important respects: Portugal has introduced a national rights-based scheme, though most Spanish regions operate residual schemes of a discretionary nature, while the permanent status of the Italian minimum income scheme will be decided by parliament after the current experiment is evaluated. Nevertheless, the common denominator of such schemes remains the intention to combine income support with "social reintegration", mainly but by no means exclusively through active labour market measures (EC, 1998).

A further example of innovation in the field of social assistance in southern Europe is given by the experimental introduction of new entitlement rules such as the *Indicatore della situazione economica* in the Italian system of local provision of social services (Baldini *et al.*, 2002; Ferrera, 2001). The new criteria, based on a joint test of incomes and assets of potential beneficiaries at the household level, replace the plethora of income tests previously in use. Innovative tools such as the *Indicatore della situazione economica* make it possible to move away from categorical mechanisms of access to social assistance and hold the promise of better targeting of welfare expenditure in a context of fiscal restraint.

The diffusion and innovative character of new anti-poverty policies in southern Europe raise more fundamental questions about the relative merits and demerits of selective vs. universal benefits. The force of the argument in favour of selective benefits appears at first sight overwhelming: instead of spreading scarce resources thinly, target benefits to the most needy. Nevertheless, once other factors are taken into consideration (such as the stigma and low take up associated with selective benefits, the lower administrative costs of universal benefits, the adverse work incentives caused by selective benefits), the case for selectivity becomes more finely balanced. Depending on actual scheme design, adverse work incentives can give rise to the "poverty trap": as individuals work harder their earnings rise, but their total income increases very little or not at all as their benefit entitlements are at the same time cut back. Under such conditions, rational individuals may well choose to work less and live on benefits rather than try to break out of poverty (Atkinson, 1995a).

The selectivity vs. universality dilemma, taken to extremes, can be reduced to a comparison of two "ideal types" of social benefits: on the one hand, a *minimum income guarantee* with a 100% marginal effective tax rate (i.e. the rate at which benefits are reduced as income net of tax and social contributions rises), no income disregards and no work requirements; on the other hand, a *basic income* provided to every individual regardless of primary income and/or contribution record and with no other strings attached (Van Parijs, 1995). Such a comparison can be injected with a greater degree of realism if standard minimum income schemes are set against a *participation income* financed through a flat income tax rate (Atkinson, 1995b).

This paper aims to perform an initial broad-brush analysis of the social assistance schemes in the countries of Southern Europe. There have been a number of cross-country analyses based on hypothetical data (for example Eardley *et al.*, 1996). Also there have been a number of single country analyses such as Baldini *et al*. (2002), Levy and Mercader (2001), Matsaganis (2000) and Farinha-Rodrigues (1999). To our knowledge there has been no cross-country comparative analysis of social assistance in the region using micro-data. For Southern Europe, we consider Greece, Italy, Portugal and Spain. However in comparative analyses it is often useful to make a comparison with a country that is quite different. In this case because many of the systems used in these countries as well as planned reforms are modelled on the French system, we include France in the analysis.

The next section gives a brief description of the social assistance schemes in the different countries. Section 3 describes the microsimulation methodology used in this paper. In section 4 we consider the extent of the demand for social assistance in the countries. Section 5 examines the effectiveness of social assistance in reducing poverty. Section 6 concludes.

2. Description of National Social Assistance Benefits

In this section we briefly describe the main social assistance instruments used in the countries examined in this paper.

France

In France, the post-war welfare state continued with the contingency based social assistance system of the numerous social insurance funds (*Caisses*). Despite some harmonisation, discrepancies still exist depending on the status at work of individuals. For those who are not covered by the contributory system, several means tested minima exist.

For pensioners, widows and incapacitated having insufficient contributions, means tested allocations provide a minimum to live on. The first social minimum created in France, *Minimum Vieillesse* (MV), was introduced in 1956 and provides a minimum pension to all those who are aged 65 or more or who are older than 60 and incapable of work. It is not a specific benefit itself, but a generic term that includes several allocations that provide a minimum to the elderly. It draws its origin from a benefit aimed at old age wage earners (*Allocation aux Vieux Travailleurs Salariés*). Widows who do not have sufficient contributions to receive a survivor's benefit can receive *Allocation Veuvage*.

There are also a number of benefits targeted at the elderly. *Minimum Invalidité* - (*MI*) is a means-tested incapacity benefit for those who, although having contributory history, have not made enough contributions to receive *Allocation Invalidité*. Adults with an incapacity greater than 80% which prevents them from working, and insufficient resources, are granted with *Allocation aux Adultes Handicapés* (AAH) if they are not eligible for minimum old age or invalidity benefits.

Several schemes are aimed at families with children. The general system of *Allocations Familiales* has been means tested only since 1998. Subsequently it has ceased to be means tested. Some more specific means tested schemes include: L'*Allocation de rentrée Scolaire* (ARS), a lump sum payment aimed to cover expenses for each children, l'*Allocation pour Jeune Enfant* (APJE) covers pregnant mothers and families with children under three and *Complément Familial* (CF) families with more than three children. Single parents can receive *Allocation Parents Isolés* but only if the child is under three.

Finally, unemployed who have used their entitlement to the insurance benefit are covered by l'*Allocation de Solidarité Spécifique* (ASS) if they have a work record for five out of ten years prior to unemployment. Some allocations are aimed at refugees or other marginal groups (*Allocation d'Insertion* AI) or *Allocation Spécifique d'Attente* (ASA).

For all those who cannot meet any of the requirements mentioned earlier, the basis of the system is provided by *Revenu Minimum d'Insertion* (RMI) created in 1988. RMI can be claimed by any resident of France who is aged 25 or over, or under 25 and has children and who has insufficient means. Entitlement to RMI is linked to a *Contrat d'Insertion*, which obliges claimants to undertake actions that will assist them, such as looking for a job and undertaking training.

In addition to cash based social assistance, benefits to cover housing costs are also quite significant. A number of schemes exist under the heading *Allocation Logement.*

Greece

The social protection system in Greece places heavy emphasis on contributory, social insurance benefits. The evidence of the ECHP shows that pensions alone account for over 90% of total social transfers to households, or about 12% of GDP.

By comparison, little provision is made for non-insurable social risks such as poverty and social exclusion. Social services remain at an early stage of development, while social assistance occupies a rather marginal position.

Moreover, the income maintenance system in Greece is fragmented and polarised. As a result, it provides modest benefits to labour market "outsiders", low social pensions to those with insufficient contributions, meagre child benefits to families with less than three children, while leaving the long-term unemployed or the first-time job seekers ineligible for unemployment benefit.

Such coverage gaps are compounded by a social assistance system that is categorical and quite irrational in structure. In the absence of guaranteed minimum income, the various schemes make up a social safety net that is in fact perforated.

Social assistance (defined so as to include all cash benefits, whether contributory or not, that are at least implicitly income tested) is mainly made up of the following schemes:

- A social pension for the elderly with insufficient contributions introduced in 1982, and an income-tested "social solidarity supplement" to low (contributory) pensions launched in 1996, with a combined number of beneficiaries equivalent to 3.6% of the population.
- Child allowances paid to civil servants and (as a separate, much less generous scheme) to insured private sector workers. Since 1999, none of these benefits are means tested, paid at a flat rate irrespective of income but increasing with the number of children.
- Three benefits aimed at families with three children or more, introduced in 1990 and income-tested since 1997 ("affluence-tested" rather than "means-tested" using Atkinson's terminology), plus an older scheme for "unprotected children" in single-parent families with very low incomes. The schemes benefit a total of 360,000 mothers (or 3.4% of the population).

- A plethora of disability benefits, some of them relatively recently established, that are non-contributory, categorical and only implicitly income-tested (covering between them 1.1% of population).
- An income-tested rent subsidy for private sector employees and pensioners with at least some contributions record, whose recipients amount to 0.3% of population.
- Emergency benefits paid on a discretionary basis to returning migrants, victims of natural disasters, or (in November 2000) as compensation for fuel price increases.

On the whole, in 1999 the number of recipients of social assistance exceeded 900,000 (8.6% of population), while expenditure on social assistance benefits reached Drs. 300 billion (0.8% of GDP).

These figures are low compared to most other European countries, but far exceed the estimates (0.7% and 0.1% respectively in 1992) reported by Gough *et al*. (1997). As explained elsewhere (Matsaganis, 2000), most of the difference can be accounted for by the introduction of new schemes and the income-testing of some other benefits in the second half of the 1990s.

Social assistance has risen in prominence as the new leadership of the ruling socialist party has signalled its opposition to "across-the-board subsidies" and its interest in more selective, targeted measures.

Since May 2000, the government has been looking for ways to implement a manifesto pledge for a "Network against Poverty and Exclusion". The ad hoc committee assessed various options, among which a proposal to introduce a minimum income guarantee along the lines of the Portuguese RMG (Matsaganis *et al.*, 2001). Eventually, concerns about the ability of benefit agencies to apply accurate means tests in the face of widespread tax evasion led to a rejection of the proposal to introduce a minimum guaranteed income scheme, even as a pilot study.

Instead, three new targeted schemes were announced:

- a refundable tax credit for low income families with children,
- a refundable tax credit for low income families in rural areas,
- a fixed-term unemployment assistance benefit paid after a means test to long-term unemployed people aged 45-65 who are no longer eligible for unemployment insurance benefit.

The new schemes have taken effect in 2002.

Italy

Public expenditure for social assistance in Italy includes targeted programs for specific groups (elderly, invalids, etc.), most of them entailing some kind of means test, either at the household or individual level. The main monetary schemes and their distinguishing features can be briefly reviewed as follows:

Family Allowance (Assegno al nucleo familiare). It is a transfer intended for households of dependent or ex-dependent workers with family burdens, and represents by far the main subsidy for households with dependent children. The amount of the transfer is directly related to the size of the household and negatively related to its income. An income test, at the household level, has operated since 1983.

Supplementary Pension (Integrazione delle pensioni al minimo). It is a benefit granted to old-aged or invalid pensioners whose accrued pension is lower than a statutory minimum (about 5,105 euro per year in 2002). The receipt of the subsidy is conditional on a test, introduced in 1983, on the taxable income of the potential beneficiary (plus that of the partner, if the beneficiary is married). The income test excludes non-taxable forms of income, e.g. capital incomes, and other items, such as imputed rents on owner-occupied house. The pension reform of 1995 has abolished this scheme for the new entrants in the labour market, but it continues to apply for all other cases.

Social Pension (Pensione sociale). It is a form of minimum income for people over 65 who are not entitled to a contributory pension, and thus not to the Supplementary Pension either. Its receipt is subject to an income test of the single person or of the couple, irrespective of the economic conditions of the household in which they live. The monetary amount of the pension in 2002 is around 3,756 euro per year. In 1995, this scheme has changed its name to *Social Allowance (Assegno sociale)*, but its main characteristics remain unaltered.

Invalidity Allowances (*Pensione di inabilità*, *Assegno ordinario di invalidità*). Like the former programmes, these schemes are provided by the National Institute for Social Protection (*Istituto Nazionale per la Previdenza Sociale*, INPS), the institute responsible for the management of most contributory transfers, and are paid to workers with at least five years of contributions. Eligibility is conditional on both a medical test and an income test, and the accrued amount is supplemented to the minimum. Although formally contributory schemes, these programmes should be more correctly considered as part of social assistance, because there is clear evidence, particularly in the 1970s and the 1980s, of their misuse as a rough substitute for a missing universal safety net in preventing poverty, especially in the South of Italy and in non-industrial areas.

Civil Invalidity Pension (Pensione di invalidità civile). This scheme is very similar to the Social Pension (i.e. it is non-contributory), but it is reserved for the disabled without even a minimal accrued pension. The income test is strictly individual, regardless of the size of the family the beneficiary belongs to.

Apart these main monetary programmes, three new transfer schemes have been implemented since 1999, two of which apply the *Indicatore della situazione economica (ISE)*, the new means-testing criterion mentioned previously:

Special family Allowance (*Assegno alle famiglie con almeno tre minori*). The beneficiaries of the allowance are the households with at least three children, and with an yearly *ISE* lower than 18,902 euro (the cut-out point for 2002). The maximum amount of the allowance is 1,335 euro per year.

Maternity Allowance (Assegno di maternità). In 2002 the allowance amounts to around 775 euro for each new child and it is granted if yearly ISE is lower than 26,236 euro for a reference household of three members, and if the mother is not covered by any form of maternity insurance.

The *Minimum Insertion Income* (*Reddito Minimo di Inserimento*, abbreviated to *RMI*), which represents a first but significant step towards the adoption in Italy of a universal subsidy for the alleviation of poverty, modelled on the basis of the safety nets present in almost all European countries. The *RMI* is currently being piloted in 300 local areas, chosen according to a set of social and economic characteristics, and mainly concentrated in the southern part of Italy, the poorest part. In 2002 the maximum amount of the *RMI* is around 270 euro per month for a single person, while for other households the corresponding amounts are found with the application of the *ISE* equivalence scale. The transfer is set so as to cover the difference between the maximum amount and household income. Earnings are counted in total household income only for 75% of their total amount, to attenuate the poverty trap, so that the *RMI* reproduces a negative income tax scheme with a marginal tax rate of 0.75, covering a constant share of the poverty gap. Any amount of assets, with the exception of the house of residence, is a sufficient condition for losing eligibility. The receipt of the minimum income is conditional on joining an insertion program, devised by the local authorities with the objective of reintroducing the beneficiary to the labour market, through acceptance of any job proposals, attendance in training courses, or involvement in care services.

Portugal

Portugal has a number of means tested benefits. Child benefits vary with the income of the family. There are specific non-contributory means tested benefits for the contingencies of old age, invalidity and unemployment. There are supplementary minimum pensions in the old age, invalidity and survivors contributory pensions. Family benefits are also income tested.

Portugal recently adopted a Guaranteed Minimum Income (GMI) Programme, aimed explicitly at guaranteeing the income support and social integration of those households and individuals that have low resources and either find themselves in a situation of social exclusion or are at risk of exclusion. The Law that set up the GMI was approved by the Portuguese parliament in 1996, coming into full force as from July 1997, after a trial period of a few months, introduced within a limited territorial scope (Farinha-Rodrigues, 2001).

Spain

Most of the existing social assistance benefits (subject to some kind of income test) have been implemented over the last two decades in Spain. If today the system is still strongly based on the social insurance, assistance benefits have substantially grown in number. In 1998 the number of recipients of social assistance benefits was more than 5.2 million (around 8 per cent of the population).

Generally, social assistance benefits have been developed to cover the gaps of protection of the contributory system and they are categorical and not well integrated between each other. The guaranteed minimum income programs set by the regional governments show a very different degree of coverage and protection across regions, leaving a safety net with important holes in the majority of the regions.

Social assistance benefits defined as to include all cash benefits that are subject to some kind of income test are mainly made up by the following schemes (See also Levy and Mercader, 2001):

- an income test *supplementary pension* to low contributory pensions, established in 1985. This is the main social assistance benefit in 1998: the number of beneficiaries of this supplement is 2.45 million people.
- an *unemployment assistance benefit* implemented in 1984 consisting of a set of benefits covering some of the unemployed not under unemployment insurance (such as the long term unemployed under certain conditions, those with family charges or those who have not enough contributions). This program covers in 1998 more than half a million people.
- a *non contributory old age and invalidity pensions* were introduced in 1990 in order to replace the *old social assistance programs* targeted to these groups (FAS and LISMI). Overall these programs together cover almost 0.7 million people.
- income tested *child benefits* which are very low in value although the number of recipients is significantly higher than for other benefits (1.5 million).
- since 1989 there are *RMI* (*minimum income guarantee programmes*), the last level of protection, developed at the regional level (CCAA) which have a limited coverage in most region - exceptions are the Basque country and Navarra - and significant differences in development between regions.

Summary

The dividing line between contribution benefits and assistance benefits is not very well defined in the countries of Southern Europe. Unlike in Northern Europe, where comprehensive social safety nets generally exist, social assistance tends to comprise a patchwork of mainly targeted and quite specific schemes.

Except France (and recently Portugal), none of the countries we have examined has a comprehensive social safety net. France through its system of categorical assistance benefits has most individuals over the age of 25 being covered by an assistance scheme aimed to bring incomes up to a social minimum.

One of the most important types of scheme are those which supplement contributory benefits. These act as a social minimum for those who either had insufficient contributions or too low a previous income to reach a minimum standard of living. These minima typically cover long-term contingencies such as retirement, invalidity or widowhood, not covering contingencies such as unemployment or short-term illness. Although part of the contributory social insurance system, these instruments in Southern Europe are often also means tested. Being part of the contributory system, they manage to avoid some of the problems of the softness of state institutions (Ferrera, 2001).

Other objectives include filling coverage gaps in the social insurance systems to cover individuals who have either exhausted entitlement to insurance benefits or for those who were unable to build up sufficient contributions to be entitled to insurance benefits. The former group of instruments includes unemployment assistance. Although commonplace in Northern Europe, in the countries examined here the instrument has a relatively minor role. Only in France is unemployment assistance comprehensively available, while in Spain unemployment assistance is targeted at very specific groups such as older unemployed or those with children.[2] The latter group meanwhile, is closer to what is generally termed as social assistance in Northern Europe and are aimed to bring those who have not paid sufficient contributions to be covered for insurance benefits. However, these instruments again tend to only cover long term contingencies such as old age and invalidity. France as our token *Northern* country is an exception.

A further objective is to cover needs not insured in the social security system at all. These include rearing families. In Northern Europe, child benefits are typically paid as universal instruments, where the only targeting occurs through the occasional taxing of these benefits. In Southern Europe however, these instruments are generally targeted. These can occur through making benefits income dependent as in the case of child benefits in France, Portugal and Spain and further targeted in Italy and Greece by giving benefits only to insured workers. Although lone parents may receive extra child benefits as in the case of the unprotected child benefit in Greece, benefits with the exception of the lone parent benefit, API in France, typically are not designed to provide an income sufficient for parent and child to live on.

The extent to which the wider family is obliged to provide support differs as well. If there are gaps in coverage, individuals invariably end up having to rely on their families. However where benefits exist, the degree to which the system expects individuals to depend on the resources of the wider family varies both between and within countries.

In Northern Europe, the principal groups not covered by social assistance are those who do not meet work tests. However in the South, the categorical nature of benefits excludes many groups from coverage. For example unemployed people who have not worked sufficient weeks are entitled to no income from the state in Greece, Italy and Spain. Lone parents, unless they are entitled to other benefits, also are not provided for. The short duration of many insurance benefits such as unemployment benefits also results in coverage gaps in the case of all unemployed in Italy and Greece and many in Spain. It is for this reason that broader and more comprehensive social minima are being developed in the case of Portugal, Italy and Spain.

Although we are primarily interested in the effect of means tested benefits on poverty alleviation, we must note the importance of other non means tested and contributory benefits

[2] Unemployment assistance in Spain is also paid to those who were unable to build up sufficient contributions to be entitled to insurance benefits (some other conditions are required). The benefit is received for a short period of time.

as well as employment policy on poverty alleviation. Also we must note the fact that means tested benefits may have other non-poverty objectives such as horizontal equity as the case of family allowances in Italy.

3. Methodology

The analyses in this paper draw on the output of a cross-country comparative benefit-tax model, EUROMOD. This model simulates taxes and benefits in each of the 15 countries of the European Union. Instruments simulated include income taxes, social insurance contributions, indirect taxes, family benefits, housing benefits, social assistance benefits and, where possible, social insurance benefits. The model simulates the policy rules for particular countries as they existed in 1998. In this paper the model uses data from the *European Community Household Panel* for Greece (1995), Portugal (1996) and Spain (1996), the *Bank of Italy Household Income Survey* (1995) for Italy and the *Household Budget Survey for France* (1994). Although benefit information is collected as part of these studies, aggregation of several benefits into one variable can mean that social assistance benefits are difficult to identify. Also, as the original data do not refer to the year we are examining (1998), information on benefits that have been introduced or changed since the data were collected is not included. Microsimulation involves simulating taxes and benefits at the detailed, micro-level and thus allows us to fill some of these gaps.

However, mechanical application of policy rules to a given population will tend to over-estimate the number of recipients and total expenditure on means-tested social benefits. This is because of the phenomenon known as non take-up whereby, due to fear of stigma, ignorance or other reasons, individuals do not claim the benefits to which they are entitled. Discretionary aspects of policies that are difficult to simulate may also play a role in the over-estimation of benefit entitlement. However due to the lack of research on this subject in Southern Europe and because the extent of this problem has not been quantified, we assume for the purposes of this paper that there is 100% take-up of all benefits and that simulated entitlement corresponds to receipt in practice.[3]

Table 1 reports the instruments in the different countries that are classified as social assistance in the empirical part of this paper. We divide social assistance benefits up into a number of headings. They include general means- or income- tested income replacement poverty-reduction benefits such as unemployment assistance and other income replacement means tested benefits and housing benefits. Because Child and Family Benefits in Southern Europe in 1998 were typically means tested, we also include these benefits under the social assistance heading. As mentioned above means tested supplementary components of social insurance benefits are also an important anti-poverty instrument and can justifiably be considered as a social assistance instrument. These instruments typically operate by bringing the pension income of the individual up to a minimum if her/his taxable income is below a certain amount. While individuals who are at the minimum can be identified in the data, it is difficult

[3] Another problem encountered by tax-benefit microsimulation models, which might bias the results in the opposite direction, namely to under-estimate the number of recipients and the total expenditure for social assistance, is income tax evasion. Our analysis does not tackle that issue and assumes that the survey data approximate quite well the declared distribution of income.

to ascertain what proportion of their pension income is comprised of this supplementary component.[4] Lastly, although a contributory benefit, unemployment insurance benefits are often means tested and/or serve primarily an anti-poverty role.[5] For this reason we can also consider unemployment insurance benefits under this heading.

In the data available to us, not all social assistance instruments could be fully identified in the data. In France and Portugal, unemployment assistance benefits could not be identified separately from unemployment insurance benefits, while in France, Greece and Portugal, it was not possible to identify separately supplementary minimum pensions from their contributory component. For this reason and also because there is much debate about the definition of social assistance itself, we consider a number of different definitions of social assistance in this paper. They are as follows:

- Minimal, comprising child benefits, housing benefits and non-unemployment means tested benefits or instruments whose primary role is anti-poverty.
- Intermediate: Minimal plus unemployment assistance benefits and unemployment insurance benefits.
- Maximal: Intermediate plus supplementary minimum pensions.

4. Demand for Social Assistance

In this section we consider the demand for social assistance. Table 2 highlights the demand for social minima in the five countries in the mid-1990's. The table describes the average expenditure as a percentage of total household disposable income. We consider for each country two different definitions of social assistance: minimal and intermediate. For Italy and Spain where an attempt has been made to identify the extent of supplementary minimum pensions we consider a third maximal definition.

We notice that, of the five countries, France has the highest proportion of disposable income comprising social assistance benefits under each heading (8.4% of disposable income at the intermediate definition). Portugal has the next highest proportion at 3.9%, followed by Spain (3.8%) and Greece (3.6%), with Italy having the lowest proportion at 2.7%. Considering the maximal definition of social assistance, we find that Italy exceeds Spain, indicating the importance of the supplementary minimum component in the Italian contributory benefit system and also the sensitivity of comparisons such as this to definitions considered.

[4] In brief, the procedure used to estimate the non-contributory component of minimum pensions has been the following: as a first step we used an external source (usually data provided by the National Institute for Social Security) to get yearly data on the number of supplementary pensions paid and on total expenditure. By dividing the total expenditure by the number of pensions we got the *average* amount of the supplement. The second step was to identify in the microdata of the two countries considered (Italy and Spain) all old-age, disability and survivors' pensions subject to supplementary benefits by selecting in the survey only people reporting pensions of a unit value approximately equal to the yearly guaranteed minimum. After having selected the pensions which are presumably supplemented to the statutory minimum, as a final step, we imputed to them the average amount of the supplement. That amount has been meant as the non-contributory component of the pensions which were supplemented up to the statutory minimum.

[5] In these countries, France has the most generous unemployment insurance. However, even this benefit has a means tested component, where any earnings reduce the value of the total unemployment insurance. More generally, the value of unemployment insurance is not that high (due to low ceilings on the value of the benefit) and thus cannot be regarded purely as an income replacement benefit.

When one considers 4 sub-components of social assistance identified in table 1 separately, child related benefits, unemployment benefits, other means tested benefits and supplementary benefits, we see that no order is dominant. We therefore see that policy priorities and benefit design are quite different in the different countries.

France has the highest child related benefits at 2.1% of disposable income[6] followed by Portugal (1.4%) and Italy (1.3%). Child related benefits, while having an objective of preventing child poverty are typically not themselves sufficient to raise families out of poverty.

Meanwhile Spain has the highest unemployment benefits (2.9%) followed by France (2.7%) and Portugal (1.5%). This result seems to go against the general notion that social assistance benefits are less important in Southern Europe than in Northern countries. While the coverage of unemployment benefits is higher in France, where more of the population is eligible to receive unemployment benefits than in Spain, unemployment rates are higher in Spain, so that more of the eligible population receives the benefits. Improved labour market conditions in Southern countries may allow coverage rates to improve for the same cost. While total unemployment benefit expenditure levels are similar, if one examines the data, we see that in Spain much of the unemployment benefits expenditure goes on purely means tested unemployment assistance. Because the duration of social insurance benefits for the unemployed tends to be longer in France, many of the individuals receiving unemployment assistance would be in receipt of either contribution based unemployment or early retirement insurance benefits.

France also has the highest other means tested benefits (3.6%) followed by Greece (2.6%). In Greece virtually all of this category is comprised of elderly people who have insufficient contributions to receive insurance benefits. The number not covered by social insurance is likely to be larger in Southern countries, due to the higher proportion of self-employed. Therefore in these countries, the size of the potential social assistance population is bigger. As in the case of unemployment benefits, the importance of this group in France relies more on a greater range of contingencies covered. France provides benefits for lone parents and working age out of work where except in the case of Portugal, these contingencies are not covered in the South.

Generally expenditure on other mainly contributory benefits and pensions dwarfs the expenditure on social assistance in the countries. This is typical of the Conservative/Mediterranean type of Welfare State. Included in this heading are supplementary minimum pensions. Italy (2.9%) we have seen have higher supplementary minimum pensions than Spain (1.6%).[7]

[6] We must note however that child benefits in France were only temporarily means tested during a period that coincided with this study.
[7] In the case of Spain the disability supplementary minimum pensions are not being considered.

5. Social Assistance and Poverty Reduction

We now compare the impact of existing means-tested social minima in France, Greece, Italy, Portugal and Spain. We examine the impact of these instruments under a number of headings:

- The existing level of poverty in the countries and the impact of social assistance in reducing poverty,
- The distribution of expenditure on social assistance across the income distribution, and
- The target efficiency of social assistance as a poverty-alleviation measure.

The Extent and Depth of Poverty

Although not the sole objective, one of the primary objectives of social assistance is poverty alleviation. Before measuring the impact of social assistance on poverty, we need to examine the differential extent of poverty in the different countries. By the extent of poverty, we measure the proportion of people in poverty (i.e. the headcont ratio), while we use the average distance of the income of the poor from the poverty threshold divided by the total disposable income for the whole population as our measure of the depth of poverty ("poverty gap" in brief). Table 3 describes the degree of poverty in the countries examined. As is quite standard in cross-country comparisons of this nature we use a relative poverty measure. Our poverty line is based on median equivalised disposable income, as it is more robust than mean income, which is quite sensitive to high-income outliers in the data.[8] Also as poverty results can be quite sensitive to decisions about what poverty line is taken, we use three different measures, our central estimate 60%, plus 70% and 50% of median income.

In table 3, we see that France out-performs the other countries in poverty alleviation for each measure. We taking the 60% of median poverty line as out starting point. France has a poverty rate of 12.6% and a poverty gap of 1% of household disposable income. We see that Spain has a poverty rate of about 50% higher with Greece and Italy about 60% higher than the poverty rate in France and Portugal having a poverty rate of nearly three quarters higher. The poverty gap conveys a more telling story with this measure being 2.5 times bigger in Spain and Portugal, three times bigger in Italy and four times bigger in Greece relative to France. Turning to the 50% line, we see that of those below the poverty line in France, more than half are between the 50% and 60% of median poverty line, compared with between a 30% and a 40% in the Southern countries. This confirms the finding of the poverty gap where the poor in France are likely to be located close to the poverty line, while in the other countries they are likely to have incomes much lower. There are also more French between the 60% and 70% poverty lines and as a result the poverty rates are closer for the 70% measure than for the others. However the poverty gap is still much smaller than in the other countries. The conclusion we can draw therefore is that the structure of the French economy and tax-benefit system combine to maintain a smaller poverty rate than in other Southern European countries and where individuals fall into poverty, the extent to which they fall into poverty is smaller.

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[8] The equivalence scale used is an OECD type equivalence scale with parameters 0.7 and 0.5, where children are aged 17 or under.

Public Policy and Poverty

We now turn to examine the impact of existing public policy in alleviating poverty. In order to do this we consider the question of what the extent and the depth of poverty would be in the absence of benefits. Clearly, if benefits did not exist, then individuals would adapt their behaviour in order to survive. In this analysis, we ignore this question, examining only the question of what role benefits play in reducing poverty given the existing distribution of market incomes.

Table 4 describes the extent (poverty rate as measured by the headcount ratio) and depth (average poverty gap as a percentage of total disposable income) of poverty using a 60% of median poverty line. The baseline scenario outlined in table 3 is shown, as are the partial effect of social assistance benefits and all benefits together.

Turning first to the case of no benefits (including public pensions), we see that both poverty rate and the poverty gap in France are higher in almost every case than in the other countries. As the country with the lowest post transfer poverty rates, we see that transfers do the most in France to reduce poverty having the biggest difference in both rate and gap. The proportion of individuals below the poverty line falls from over 45% in the absence of transfers to under 13% after transfers, while the poverty gap falls by nearly 17 points from 17.4 to 1 percent of total disposable income. Transfers in Portugal and Greece have smallest effect on poverty with a 16 and 19 percentage point fall in poverty rates respectively and a 10 and 11 percentage point fall in the poverty gap. Total Benefits in Spain and Italy have similar static impacts on poverty rates (24 and 28 percentage point falls respectively) and on poverty gaps (13 and 14 percentage point falls). The fact that pre-transfer poverty rates are higher in France than the other countries highlights the fact that in the absence of policy instruments, individuals would adapt their behaviour.

We now consider separately the impact of social assistance on poverty reduction. Looking at the intermediate definition of social assistance, we see that without social assistance, the poverty rate and gap is quite similar to the Southern countries. Thus, comparing with the situation without any benefits the gap between France and the other countries has disappeared. Comparing with the baseline poverty rate/gap we see that much of the differential with the other countries is due to the operation of social assistance. The impact of social assistance in reducing poverty gaps is very similar in the four Southern countries. In each case the poverty gap falls by between 1.4 and 1.6 percentage points. The reduction in poverty rates is less uniform with the lowest fall occurring in Portugal (2.8%) and the largest in Italy (4.6%). The falls in France are however much greater, with the poverty rate falling by 12.6 percentage points and the poverty gap falling by 3.7 per cent.

Looking at the maximal definition of social assistance, we find that even when one includes supplementary minimum pensions, Italy and Spain still have a smaller reduction in the poverty rate and gap than France does under the intermediate definition, indicating that the result is likely to be robust to definition used. Although less important than contributory benefits and pensions, we can say that much of the difference in the poverty rates that we see between France and the South is due to social assistance policy.

Distribution of Benefit Expenditure and Target Efficiency

In this section we examine the efficiency of social assistance as an anti-poverty instrument in the different countries.
To do this we firstly investigate the distribution of public expenditure on benefits across the income distribution. Table 5 describes the distribution of expenditure on both social assistance (using the intermediate definition) and other social transfers by equivalised disposable income decile. The columns sum to 100% and represent the proportion of total expenditure on benefits received by each decile. Overall social assistance benefits are more closely targeted at the bottom of the distribution. Meanwhile other social transfers, highlighting their income replacement rather than anti-poverty function, are targeted at the top of the distribution.

Focusing on social assistance benefits, we see that they are most targeted in France, Greece and Italy, with over 35% of all benefits accruing to the bottom two deciles compared with under 30% in Portugal and Spain.

A more precise and detailed description of the ability of social assistance to contrast poverty is provided in table 6, which presents the standard indicators of target efficiency and poverty reduction effectiveness (Weisbrod, 1970; Beckerman, 1979) for each of the schemes mentioned before. Figure 1 due to Beckerman, describes the impact of transfers on disposable income. The measures we use to examine the target efficiency of social assistance are based on this diagram.

- The first measure is Vertical Expenditure Efficiency (VEE), meaning the share of total expenditure going to households who are poor before the transfer and is equal to $(A + B)/(A + B + C)$ from figure 1.
- The next indicator of Poverty Reduction Efficiency (PRE) is the fraction of total expenditure allowing poor households to reach the poverty line without overcoming it and is defined as $(A)/(A + B + C)$.
- The Spillover index (S) is a measure of the excess of expenditure with respect to the amount strictly necessary to reach the poverty line, $(B)/(A + B)$. Combining we can see that the VEE (1 - S) = PRE.

In fact, these three measures are not sufficient to evaluate how good a transfer system is in fighting poverty: a transfer program could be very efficient in reaching the poor, but the benefit amount could be too low to produce a significant increase in the living standards of the beneficiaries. We thus need another indicator, the Poverty Gap Efficiency (PGE), which shows how effective a cash benefit is in filling the aggregate poverty gap, $A/(A+D)$.

The measures compare the effectiveness of instruments in closing the pre-transfer poverty gap defined in terms of disposable equivalent income before transfers, and the poverty line is given by 60% of median post-transfer disposable equivalent income.

Table 6 reports the target efficiency results for the five countries, this time with child and other social assistance benefits separated. Examining child related social assistance first, we notice that Italy and Spain have better targeted instruments, with a VEE of about 65% and 56% respectively, indicating that in Italy about 65% of the transfer go to those who were below the poverty line before social assistance. In the other countries less than half of the means tested child benefits go to this group. In France 45% go to households that would be in poverty without child benefits, while only a quarter of the benefit in Greece and a third in Portugal are targeted at the poor using this measure. The lack of targeting for these countries is primarily due to the fact that targeting has been designed to prevent the richest receiving the benefits, rather than simply helping the poorest.

Looking at the Spillover index, S, we see that France fares worst. In general therefore child related social assistance is more targeted in Italy and Spain than in France, Portugal and Greece, where they are more important in achieving horizontal equity objectives. However despite the differential degree of targeting between France and the other countries, child benefits in France still reduce the poverty gap more as measured by the Poverty Gap Efficiency (PGE) measure. This is because as we noticed in table 2, child related social assistance in France is quantitatively more important.

We now turn to the non-child related social assistance benefits. Again we consider three different definitions. We focus first on the intermediate definition. France has the highest degree of targeting as measured by VEE, with 60% going to those who were poor before social assistance transfers. Greece, and Portugal are next with about 55% going to the poor before transfers. Italy and Spain, meanwhile, transfer 52-53% or less of these benefits to those who were poor before transfers. Therefore targeting is not that different across the countries. However, when we examine the effectiveness of the transfer, as measured by PGE, we see that other social assistance benefits are more efficient in France. As the degree of targeting is similar, this is primarily due to the difference in the level of expenditure.

Incorporating supplementary minimum pensions in the analysis substantially improves the poverty efficiency measures in both Italy and Spain. It is likely that the same result would apply in the other countries. We note also that once supplementary minimum pensions are included for Italy, the targeting measures increase, indicating the targeted nature of these instruments. They are example of an attempt to avoid the administrative difficulties associated with income measurement in standard means tests, by using the contributory pension system.

Turning to all (both child and other) social assistance (using the intermediate definition) we see the effect of targeting. Comparing Italy and Greece who spend approximately 2.7% and 3.6% of household disposable income respectively on these benefits, we see that Italian targeting is higher having a PRE of 49 compared to 42 in Greece, resulting in 27% per cent of the poverty gap falling in Greece compared to 31% in Italy. Hence we see the importance of design. More targeted benefits even with a lower expenditure can reduce poverty by more.

On the whole however targeting is relatively poor. When we look at the proportion of benefits bringing people up to the poverty line but not above it, we see that in each country the PRE is less than 50%. This means that over half of all transfers either go to people who were above the poverty line before transfers or bring those who were in poverty before transfers past the poverty line. Why, with means testing, are all benefits not received by poor households? The reason for this is that income tests are applied to smaller units within the wider household. Thus, for example, older people can receive old age assistance benefits while living with richer relatives. Another reason is that unemployment assistance may only be received for a portion of the year, with work income being received for the rest of the year, for example by seasonal workers. Therefore as the income test may not depend on annual income, a family higher up the income distribution over the whole year, may receive assistance benefits for part of the year. Finally, affluence testing which only restricts the richest from eligibility will also reduce the degree of targeting on the poor.

To sum up the evidence provided by these indicators, it seems fair to say that the target efficiency of social assistance benefits is low, so there would be room to redirect public assistance expenditures towards the truly poor, without violating the currently tight budget constraints. Given the vast amount of resources not targeted to the poor, this share could be significantly increased, with better means-testing criteria, without the need of additional funds.

6. Conclusions

This paper has examined the importance of social assistance in the countries of Southern Europe in comparison with France. In each case other contributory benefits are more important than social assistance. France has a higher expenditure on social assistance and overall has a more effective anti-poverty strategy. This is largely due to the fact that general social assistance benefits expenditure is higher and there are less coverage gaps than in other countries.

In general targeting was found to be poor. Improved targeting would result in more policies that could be more effective at reducing poverty. However we note that given administrative difficulties in identifying incomes adequately, more creative solutions may be required. However despite the importance of design, one of the main reasons for the poorer anti-poverty effectiveness in the countries of Southern Europe is the relative lack of resources expended in tackling this problem.

There are a number of potential areas for further work thrown up by this paper. Firstly further effort is necessary to identify those who benefit from supplementary pensions that are part of the contributory system and may more properly be regarded as social assistance. This paper generally looked at the effect of social assistance instruments on macro poverty aggregates. More detailed analysis is necessary of the assistance policies themselves. Why for example do they act in the way they do? Why are some groups excluded? In what ways can their design be improved?

Take-up as an issue has been ignored in this paper. However as a significant influence on the operation of benefits and their resulting effectiveness in reducing poverty, it is an important issue.

More work is also needed to identify how families survive without access to benefits. What characterises these families? The other side of the coin is what characterises families who receive benefits? Given the importance of the family as a social safety net in the Southern countries, it would also be interesting to examine the relative importance of the family as an anti-poverty instrument relative to the state.

Lastly the principal use of the microsimulation model that underpins this analysis is the analysis of reform. It is hoped in the future to consider alternative policies that would help to reduce monetary poverty in the countries of Southern Europe.

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Table 1. Social Assistance Instruments included in the Empirical Analysis

Types	France	Greece	Italy	Portugal	Spain
Child and Family Benefits	Allocation Familial, Complément Familial, Allocation de rentrèe scolaire, Aide à la Scolarite, APJE	3rd child benefit, Large family benefit, Pension to many-children mother, Unprotected child benefit, OAED and Civil servants' family allowances	Family Allowances	Child Benefit	Child Benefit, Other Family Benefits
Other Means Tested	Allocation Aux Adultes Handicapes, Allocation de Parent Isolé, AVTS, Allocation Logement	Pension supplement (EKAS), Farmers' OGA pension, Social pension, Disability benefits, OEK rent subsidy	State and INAIL disability non-contributory pension, State old age social pension, Housing Benefit	Social assistance, Social pension, Housing Benefit	Old-age (non-contributory), Old-age (assistance), Housing Benefit
Unemployment Benefits	Revenu Minimum d'Insertion, Allocation Solidarite Specifique, Allocation Chomage	Ordinary unemployment benefits	Unemployment CIG, Mobility and Compensation Benefits	Unemployment Assistance and Insurance Benefits	Unemployment Assistance and Insurance Benefits
Supplementary Minimum Pensions	Minimum Vieillesse, Minimum Invalidite, Minimum Veuvage	Old age, invalidity and survivors' minimum pensions	INPS old age retirement, disability and widow's, IPAT old age retirement, disability and widow's, state old age and retirement pensions	Old age, invalidity and survivors minimum benefits	Old Age and Widow's Minimum Pension

Table 2. Demand for Social Assistance (as a percentage of total disposable income)

	France	Greece	Italy	Portugal	Spain
Social Assistance Benefits					
Minimal[1]	5.6	3.4	2.3	2.4	0.8
Intermediate[2]: Minimal + UA + UB	8.4	3.6	2.7	3.9	3.8
Maximal[3]: Intermediate + SMP			5.6		5.4
Child and Family Benefits[4] (CB)	2.1	0.8	1.3	1.4	0.4
Unemployment Benefits[5] (UA + UB)	2.7	0.2	0.4	1.5	2.9
Other Means Tested Benefits[6] (Intermediate – CB-UA-UB)	3.6	2.6	1.0	1.0	0.5
Supplementary Minimum Pensions[7] (SMP)			2.9		1.6
Other Social Transfers[8]	25.7	20.9	28.0	19.2	24.2
Total Benefits[9]	34.1	24.5	33.6	23.1	29.6
SAB Recipients (Intermediate) as a percentage of Population	24.1	24.5	13.9	20.2	8.8

Source: EUROMOD.

Acronyms used: UA – Unemployment Assistance Benefits, UB – Unemployment Insurance Benefits, SMP – Supplementary Minimum Pensions, SAB – Social Assistance Benefits, CB – Child and Family Benefits.

Notes:

1. *Minimal Social Assistance Benefits* include child and family benefits and other means tested benefits (see Table 1).
2. *Intermediate Social Assistance Benefits* include Minimal benefits plus unemployment benefits (see Table 1).
3. *Maximal Social Assistance Benefits* include Intermediate benefits plus supplementary minimum pensions (see Table 1).
4. *Child Mean Tested Benefits* include benefits targeted directly at children, but do not include Lone Parent Benefits in France (see Table 1).
5. *Unemployment Benefits* include both social insurance and non-contributory related unemployment benefits (see Table 1).
6. *Other Means Tested Benefits* include all other intermediate social assistance benefits different from child/family benefits or unemployment benefits (see Table 1).
7. *Supplementary Minimum Pensions* include the extra non-contributory related payments used to bring social insurance pensions up to a minimum (see Table 1).
8. *Other Social Transfers* include all Public cash benefits, pension expenditure, and Supplementary minimum pensions. They do not include (Intermediate) Social Assistance.
9. *Total Benefits* include all Public cash benefits, both contributory and non-contributory based.

Table 3. Measuring the Extent and Depth of Poverty

	France	Greece	Italy	Portugal	Spain
70 percent of Median					
Poverty Headcount	21.9	27.2	28.7	29.1	24.9
Poverty Gap	2.4	6.3	5.0	4.4	4.5
60 percent of Median					
Poverty Headcount	12.6	20.2	20.3	21.9	18.4
Poverty Gap	1.0	4.2	3.0	2.5	2.7
50 percent of Median					
Poverty Headcount	5.4	14.6	13.2	13.0	11.1
Poverty Gap	0.3	2.7	1.7	1.1	1.5

Source: EUROMOD.

Notes:
Poverty Headcount: proportion of people in poverty.
Poverty Gap: average poverty gap divided by the total disposable income for the whole population.
Poverty Line in terms of Median Equivalised Disposable Income (Equivalence Scale, 1, 0.7, 0.5/Head, Other Adult/ Children Aged 17-).

Table 4. Public Policy and Poverty (Poverty in Absence of Benefits)

	France	Greece	Italy	Portugal	Spain
No Benefits[1]					
Poverty Headcount	45.5	38.8	48.2	38.2	42.2
Poverty Gap	17.4	15.3	16.5	12.3	15.8
No Social Assistance (Minimal)[2]					
Poverty Headcount	22.3	23.1	24.7	23.1	18.7
Poverty Gap	3.4	5.6	4.1	3.7	3.0
No Social Assistance (Intermediate)[3]					
Poverty Headcount	25.2	23.3	24.9	24.7	21.8
Poverty Gap	4.7	5.7	4.4	4.1	4.1
No Social Assistance (Maximal)[4]					
Poverty Headcount			28.0		23.7
Poverty Gap			5.8		4.6
Baseline Poverty					
Poverty Headcount	12.6	20.2	20.3	21.9	18.4
Poverty Gap	1.0	4.2	3.0	2.5	2.7

Source: EUROMOD.

Notes:

1. *No Benefits*: No benefits are included in the income used to calculate the poverty measures.
2. *No Social Assistance (Minimal)*: No Minimal social assistance benefits are included in the income used to calculate the poverty measures.
3. *No Social Assistance (Intermediate)*: No Intermediate social assistance benefits are included in the income used to calculate the poverty measures.
4. *No Social Assistance (Maximal)*: No Maximal social assistance benefits are included in the income used to calculate the poverty measures.

Definitions Used (see Table 2):

Social Assistance (Minimal): all social assistance benefits except Unemployment Assistance Benefits (UA) and Unemployment Insurance Benefits (UB) and supplementary minimum pensions (SMP); *Social Assistance (Intermediate)*: Minimal + UA + UB; *Social Assistance (Maximal)*: Minimal + UA + UB + SMP.

Poverty Headcount: proportion of people in poverty.
Poverty Gap: average poverty gap divided by the total disposable income for the whole population.
Poverty Line: 60% of Median Equivalised Disposable Income (Equivalence Scale, 1, 0.7, 0.5/Head, Other Adult/ Children Aged 17-).

Table 5. Distribution of Benefit Expenditure in France, Greece, Italy, Portugal and Spain (by Equivalent Disposable Income Decile)

Decile[1]	France	Greece	Italy	Portugal	Spain
Social Assistance (Intermediate)[2]					
1	19.1	20.8	15.7	21.1	15.7
2	16.4	15.3	22.5	8.5	12.9
3	13.7	11.8	15.6	11.4	13.9
4	10.9	10.7	11.9	7.7	9.8
5	9.2	9.0	8.0	10.3	9.8
6	7.2	7.4	6.6	7.8	7.2
7	6.7	7.1	7.0	8.2	8.0
8	5.4	7.4	5.6	14.5	8.7
9	3.9	6.3	4.6	6.1	7.8
10	7.5	4.1	2.6	4.4	6.2
Total	100.0	100.0	100.0	100.0	100.0
Other Social Transfers[3]					
1	2.2	1.5	2.1	5.0	2.9
2	4.2	5.9	4.9	9.0	7.6
3	5.9	8.2	6.3	9.1	7.4
4	9.1	8.5	7.7	7.2	11.5
5	9.9	9.5	9.1	7.6	12.4
6	9.8	11.4	10.6	6.8	10.7
7	9.9	12.7	12.0	8.6	11.6
8	12.4	12.0	12.3	9.5	11.1
9	15.2	13.4	14.5	13.1	11.6
10	21.4	16.9	20.5	24.0	13.2
Total	100.0	100.0	100.0	100.0	100.0

Source: EUROMOD.

Notes:
1. Deciles in terms of Median Equivalised Disposable Income (Equivalence Scale, 1, 0.7, 0.5/Head, Other Adult/ Children Aged 17-).
2. *Social Assistance (Intermediate)* include Minimal Social Assistance benefits plus unemployment benefits (see also Table 2 for the definitions used).
3. *Other Social Transfers* include all Public cash benefits, pension expenditure, and Supplementary minimum pensions. They do not include (Intermediate) Social Assistance (see also Table 2 for the definitions used).

Table 6. Target Efficiency of Social Assistance Benefits

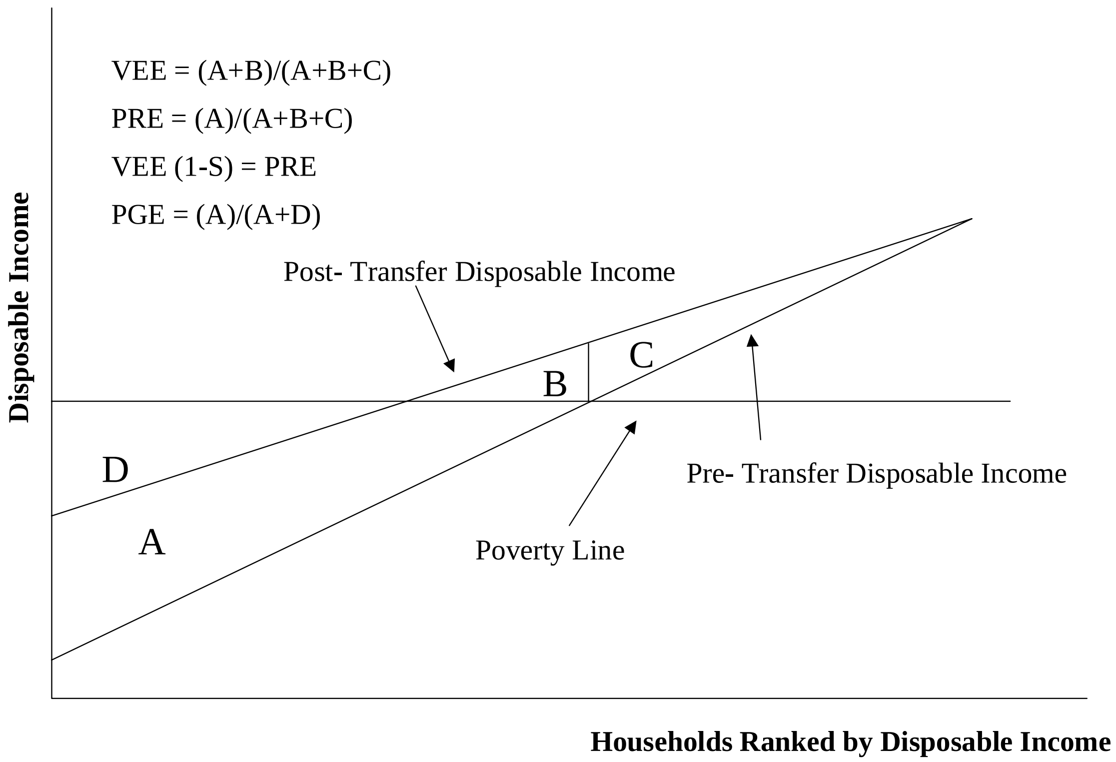
	France	Greece	Italy	Portugal	Spain
Child and Family Benefits[1]					
VEE	45.4	25.8	64.6	32.7	55.5
PRE	36.4	23.6	57.8	32.0	50.8
S	19.8	8.8	10.5	2.3	8.4
PGE	41.5	4.3	19.7	15.4	7.0
Minimal Social Assistance (except CB)[2]					
VEE	55.3	55.7	43.9	79.1	44.4
PRE	41.8	48.4	30.5	78.0	32.9
S	24.4	13.1	30.5	1.4	26.0
PGE	63.0	23.5	8.9	23.4	5.5
Intermediate Social Assistance (except CB)[3]					
VEE	59.9	55.2	51.9	56.1	52.9
PRE	43.2	47.2	39.5	45.5	39.0
S	28.0	14.6	23.9	18.8	26.3
PGE	72.5	24.3	14.0	31.4	33.5
Maximal Social Assistance (except CB)[4]					
VEE			61.0		53.3
PRE			47.0		37.0
S			22.9		30.6
PGE			38.9		41.3
Intermediate Social Assistance[5]					
PRE	43.9	42.2	48.7	41.3	40.6
PGE	78.0	26.9	30.5	39.4	37.0
Expenditure as % Disposable Income	8.4	3.6	2.7	3.9	3.8
Pre Transfer Poverty Gap	4.7	5.7	4.4	4.1	4.1
Post-transfer Poverty Gap	1.0	4.2	3.0	2.5	2.7

Source: EUROMOD.

Acronyms used: VEE - Vertical Expenditure Efficiency, PRE - Poverty Reduction Efficiency, S - Spillover Index, PGE - Poverty Gap Efficiency.

Notes:
1. *Child and Family Benefits* include benefits targeted directly at children, but do not include Lone Parent Benefits in France.
2. *Minimal Social Assistance (except CB)* includes Minimal social assistance benefits excluding Child and Family Benefits (see Table 2 for the definitions used).
3. *Intermediate Social Assistance (except CB)* includes Intermediate social assistance benefits excluding Child and Family Benefits (see Table 2 for the definitions used).
4. *Maximal Social Assistance (except CB)* includes Maximal social assistance benefits excluding Child and Family Benefits (see Table 2 for the definitions used)
5. *Intermediate Social Assistance* includes Minimal Social Assistance Benefits plus unemployment benefits (see Table 2 for the definitions used).

Figure 1. The Target Efficiency of Social Assistance



Source: Beckerman (1979)